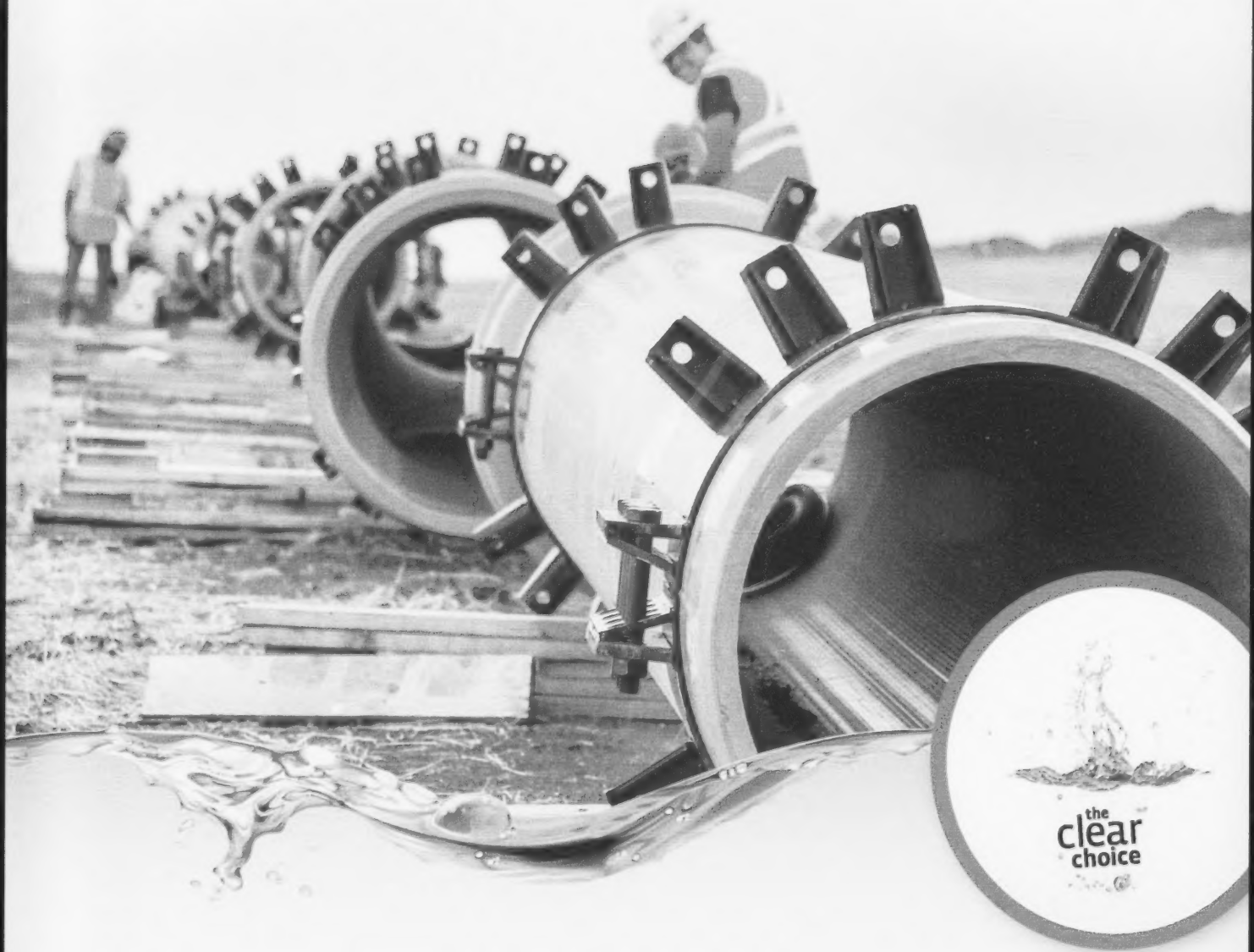
SaskWater

Supporting Our Growing Economy

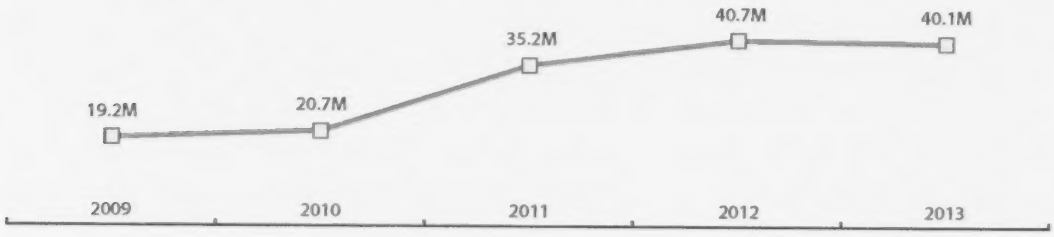
2013 ANNUAL REPORT



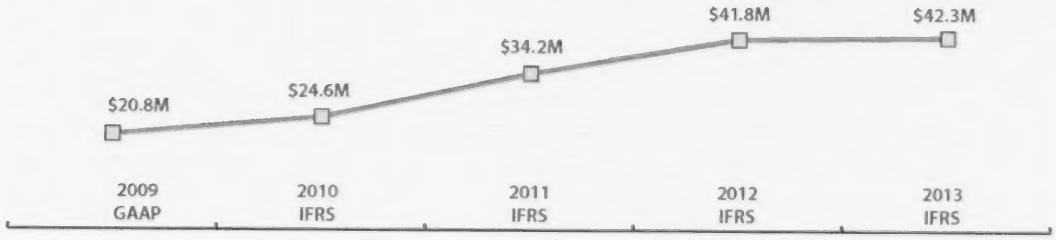
Supporting Our Growing Economy

Five Year Comparisons

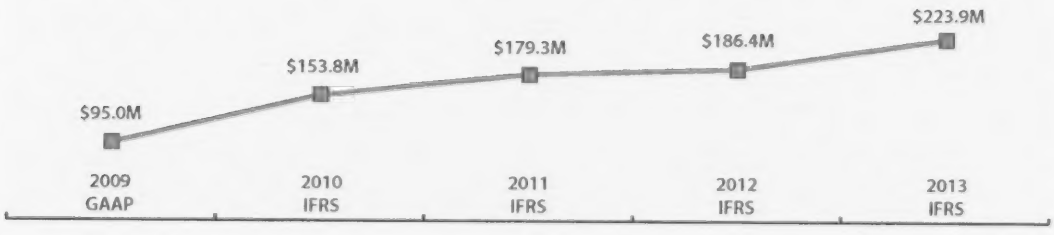
Total Sales Volumes (Cubic Metres)



Total Revenue



Total Assets



Cover Image: Readying 750 mm pipe for installation on the Zelma East project for the BHP Billiton Jansen Mine project.

About SaskWater

SaskWater is Saskatchewan's commercial Crown water utility, helping communities, First Nations and industry gain access to reliable and professional water and wastewater services.

The full history of SaskWater goes back to 1966 when we began operations as the Saskatchewan Water Supply Board. The head office was relocated from Regina to Watrous in 1977, and in 1984 the Saskatchewan Water Corporation was created with its head office in Moose Jaw. In 2002, SaskWater received a new mandate to operate exclusively as a commercial water utility.

SaskWater provides professional water and wastewater services to 63 communities, seven rural municipalities, 83 rural pipeline groups, 16 industrial and approximately 237 commercial and end user customers. SaskWater serves approximately 66,000 people in Saskatchewan.

The corporation owns eight water treatment plants, three wastewater facilities, 39 pump stations and approximately 876 km of pipeline. SaskWater also maintains customer-owned systems. In 2013, we provided operator training to 29 Saskatchewan First Nations communities.

SaskWater has always placed its emphasis on supporting economic growth and the people of Saskatchewan. As the province's population and economy continue to expand, so does SaskWater. The theme of this year's annual report, *Supporting Our Growing Economy*, illustrates the corporation's progress in support of the province's growth and prosperity.

Corporate Profile

SaskWater is committed to providing the highest level of service to its customers. That promise is reflected in the corporation's Vision, Mission and Values.

Vision: to be Saskatchewan's water and wastewater utility of choice.

Mission: to provide reliable and professional water and wastewater services for Saskatchewan.

Values:

- **Integrity** – We are committed to act with respect, honesty and fairness.
- **Professionalism** – We provide quality services and expertise, and we are accountable for our actions.
- **Sense of Community** – We support our customers, employees, the environment and communities where we live and work.
- **Innovation** – We pursue continuous improvement and innovative solutions.

SaskWater has defined four measurable strategic objectives to guide the corporation: Succeeding Financially; Growing the Business; Achieving Business Excellence; and Valuing Employees. Our 2013 annual report provides details on how we are accomplishing all four objectives.

SaskWater's Unique Value

High Standards

Staff dedication to quality control ensures customers receive safe, quality water.

Knowledge

Staff's technical expertise helps determine the most cost-effective solutions for customers' water and wastewater services.

Innovation

Access to knowledge and innovation exchange networks and a commitment to innovative new ideas and technologies.

Asset Enhancement

Investment in asset renewal, staff training and remote monitoring increases corporate efficiencies and quality service.

Partnerships

Strong working relationships with regulatory and other government agencies, consultants and contractors enable SaskWater to provide timely and efficient services to customers.

Corporate Responsibility

SaskWater's Community Investment program supports Saskatchewan communities through sponsorships and donations.

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Letter of Transmittal

Moose Jaw, March 2014

To Her Honour
Vaughn C. Schofield
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Dear Madam:

It is my honour to submit herewith the annual report of SaskWater for the year ending December 31, 2013.

The annual report includes the financial statements, duly certified by auditors for the corporation, in the form approved by the Treasury Board and in accordance with the Saskatchewan Water Corporation Act.

I have the honour to be your obedient servant.

Sincerely,

Ken Cheveldayoff
Minister Responsible for Saskatchewan Water Corporation

Minister's Message

It is a pleasure to present the 2013 Annual Report for SaskWater.

The theme of the 2013 report is *Supporting Our Growing Economy*. I am pleased to highlight the many ways that our Crown water utility upholds the objectives of our government's *Saskatchewan Plan for Growth*. Highlights include:

- securing a better quality of life for all Saskatchewan people
- investing in the infrastructure required for growth
- educating, training and developing a skilled workforce
- increasing immigration, and advancing Saskatchewan's natural resource strengths, particularly through innovation to build the next economy.

SaskWater's growth over the past four years is a direct reflection of the corporation's commitment to providing safe and reliable water services to its customers. SaskWater is committed to financial sustainability and once again demonstrated this commitment in 2013 with a $3.5 million surplus. SaskWater remains focused on providing infrastructure and services to support our growing economy!

Sincerely,

Ken Cheveldayoff
Minister Responsible for Saskatchewan Water Corporation

Letter to Stakeholders

SaskWater reached a milestone in 2013 when the corporation was, for the first time, named to *Saskatchewan Business Magazine's* Top 100 Companies. We are proud of the work we have done over the years to support economic growth in the province, and we are proud to receive this recognition. The corporation has seen consistent growth over the past five years, and this heralds our theme for this year's annual report: *Supporting Our Growing Economy.*

This annual report outlines our many accomplishments of the past year, including welcoming new customers, expanding our ability to serve our customers effectively, and making significant progress on major projects. We are investing in people and technology to be more efficient and productive as a corporation.

SaskWater has aligned its priorities with four major goals that the Government of Saskatchewan has identified for the Crown sector. These goals benefit our customers and the province. They are:

Customer Focus

- Safe, reliable water is a priority for all our customers. A new performance measure for us in 2013 is the Water Quality Index which tracks SaskWater's compliance with water quality standards on its 17 potable water systems and includes testing on all SaskWater-owned treatment plants and transmission pipelines.
- We are building relationships with First Nations in Saskatchewan and providing training assistance to help ensure their communities also benefit from safe, reliable water.

Infrastructure

- Infrastructure is vital to support growth in our communities. We continue to build the water supply system for BHP Billiton's Jansen mine project.
- We are investing in refurbishment of the crossing structures on the Saskatchewan Southeast Water Supply system (SSEWS), completing replacement of two crossings in 2013 and initiating the engineering and procurement to replace four more bridges in 2014.
- We made improvements to the water supply systems serving White City and the City of Warman in 2013, and we are investigating the replacement of 8 kilometres of the potable water pipeline on the Saskatoon East system near Clavet.

Labour Force

- We are investing in people and technology to be more efficient and productive as a corporation. Several stories in this report introduce some of our highly trained and qualified staff and discuss the years of commitment they have made to SaskWater. Our recruiting efforts are having success in growing Saskatchewan, welcoming staff who have come from other provinces and countries. We are pleased to be able to attract and retain the calibre of employees we have working here.

Financial Sustainability

- In 2013, SaskWater generated a surplus of $3.5 million. This increases our ability to reinvest in our infrastructure that supplies safe and reliable water and wastewater services to the people, communities and businesses of Saskatchewan.
- Going forward, we will continue to support large economic opportunities for Saskatchewan, balanced with additional focus on developing our work with municipal customers.

The international potash market experienced major changes in 2013, resulting in market uncertainty, price declines and corporate restructuring within the industry. This sector is a major customer group for SaskWater. We will continue to monitor potential impacts as we progress through 2014.

SaskWater opened a new office in Saskatoon in 2013 to serve our customers better. A large part of our customer base is now in this region, and opening an office in Saskatoon made sense. As the corporation changes, its Business Continuity Plan must also evolve. It is a forward-thinking process crucial to our growth and development as an organization.

To this end, SaskWater conducted a business continuity planning exercise in 2013, and will continue to run similar exercises annually. Objectives of the exercise included enhancing management's ability to respond to a disruption through an experiential learning activity, and identifying opportunities for the plan to adapt. Overall, the participants considered the exercise a success.

Supporting our growing economy also means looking ahead, and the Board and management are engaging in strategic planning in 2014 to guide SaskWater for the next five years. We also began planning for expansion of our services in the Belle Plaine Industrial Corridor. The better planning we have, the better we can continue our reliable, secure and sustainable services.

Looking at what we achieved in all areas of our business, 2013 was a successful year. We thank our customers for their support and our employees for their hard work. Looking at what we are planning for growth, the future looks bright.

Glen Rittinger
Chair of the Board

Doug Matthies
President

Glen Rittinger, Chair of the Board, left; Doug Matthies, President, right.

Lines of Business

Systems Map

Current service in Saskatchewan

SaskWater currently owns and/or operates potable, non-potable and wastewater waterworks in the following locations/regions:

1. La Ronge
2. Pierceland
3. Meota-Cochin-Jackfish Lake Area
4. Nipawin
5. Melfort Area
6. Wakaw-Humboldt Area
7. Saskatoon Area
8. Hanley-Watrous-Lanigan Area
9. Elbow
10. Cupar
11. Edenwold
12. Buffalo Pound Area
13. Moose Jaw (Geothermal)
14. Fort Qu'Appelle
15. White City
16. Gravelbourg
17. Halbrite

SaskWater's Core Lines of Business

- potable water supply
- non-potable water supply
- wastewater treatment and management
- certified operation and maintenance (COM)
- project management
- water and wastewater training
- remote monitoring
- water leak detection

Potable Water Supply

SaskWater's potable water supply business refers to the delivery of water that is suitable for human consumption in accordance with applicable regulations. Municipalities represent the largest consumers of potable water. SaskWater also delivers potable water to rural pipeline groups and businesses.

The majority of SaskWater's municipal customers own and operate their local distribution systems and manage the relationship with their residents. SaskWater provides wholesale water delivery service to the community, which then delivers the potable water to its residents.

Stand-Alone Systems

SaskWater's mandate enables the corporation to purchase and operate municipal waterworks or to construct new water supply and treatment systems. SaskWater currently owns and operates stand-alone systems in Elbow, White City, Pierceland, Edenwold, Gravelbourg and Cupar.

Regional Systems

For many rural communities, regional water systems are the most cost-effective and sustainable solutions to their water needs.

SaskWater owns and operates the Wakaw–Humboldt and Melfort regional potable water systems. These systems consist of a single treatment plant that produces and distributes potable water to surrounding communities through a pipeline network. Water treatment plants for these two regional systems are located in Wakaw and Melfort. Together these systems supply potable water to 17 communities and several rural pipeline groups.

SaskWater also owns and operates two regional potable water systems where the water is purchased from other suppliers. SaskWater purchases potable water from the City of Saskatoon and delivers it to surrounding communities, industries, other commercial businesses, and pipeline groups through an extensive pipeline network. SaskWater also purchases potable water from the Buffalo Pound Water Administration Board, the City of Regina and the City of Moose Jaw, sourced from the Buffalo Pound Treatment Plant, and delivers it to surrounding communities and industries.

In 2013, SaskWater delivered 6.8 billion litres of high quality drinking water. Potable water volumes were up 10.8% for the year compared to 2012 volumes of 6.2 billion litres. Continued growth in the Saskatoon District accounted for 50% of the growth, the new Moose Jaw West System serving Caron/Mortlach contributed 31%, Wakaw–Humboldt contributed 12%, Melfort contributed 4% and Cupar contributed 3%.

Non-Potable Water Supply

SaskWater's non-potable water supply business refers to the delivery of water that is considered not suitable for human consumption in accordance with applicable regulations.

The majority of SaskWater's non-potable water supply is delivered in large volumes to industrial customers for processing and manufacturing operations, including potash mines and fertilizer manufacturers.

Municipal customers also purchase non-potable water from SaskWater. These customers own water treatment facilities and perform their own treatment processes prior to residential delivery.

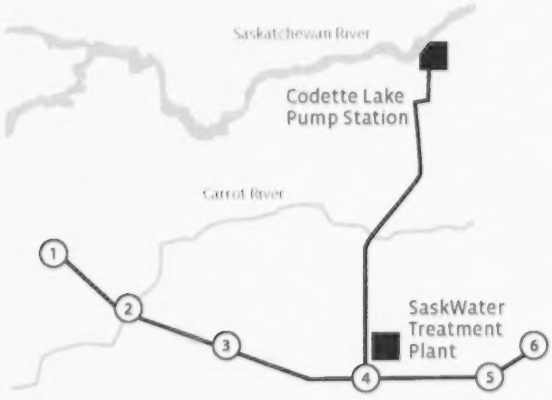
SaskWater owns and operates non-potable water systems in the areas surrounding Saskatoon, Buffalo Pound Lake, Regina and along the Saskatoon Southeast Water Supply System.

In 2013, SaskWater delivered 32.3 billion litres of non-potable water compared to 33.5 billion litres in 2012. The reduction of 3.8% is largely due to industrial customers adjusting their requirements in response to market demands for their products.

Saskatoon Area:
Potable Water Supply System

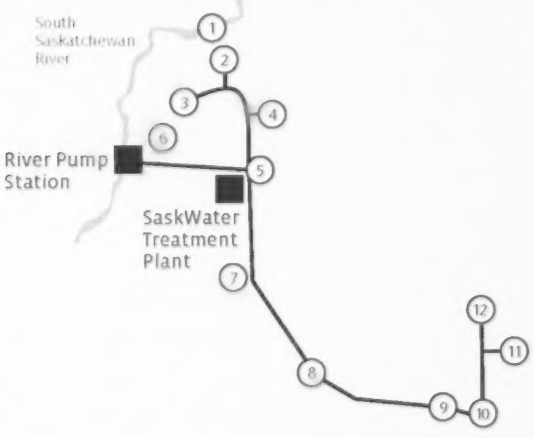
1. Hepburn
2. Hague
3. Osler
4. Dalmeny
5. Aberdeen
6. Warman
7. Martensville
8. ERCO Worldwide
9. BizHub Developments Ltd.
10. Akzo Chemicals
11. Perkins Ag Marketing Inc.
12. Prairie Pride Chick Sales Ltd.
13. Chemtrade West
14. Sunset Estates
15. Grasswood
16. Cargill Ltd.
17. Casa Rio/Wood Meadow
18. Clavet
19. Bradwell
20. Elstow
21. Allan
22. Dundurn Rural Water Utility
23. Highway 41 Rural Water Utility
24. Yellowhead Industrial Park

Melfort Area:
Potable Water Supply System



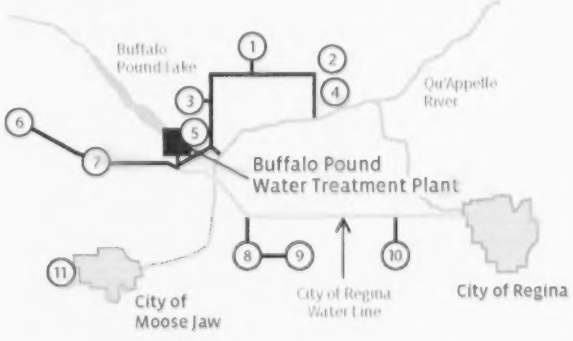
1. Weldon
2. Kinistino
3. Beatty
4. Melfort
5. Star City
6. Star City Farming

Wakaw–Humboldt Area:
Potable Water Supply System



1. St. Louis
2. Hoey
3. St. Isidore-de-Bellevue
4. Dormemy
5. Wakaw
6. One Arrow First Nation
7. Cudworth
8. Bruno
9. Humboldt
10. Muenster
11. Annaheim
12. Lake Lenore

Buffalo Pound Area:
Potable Water Supply System

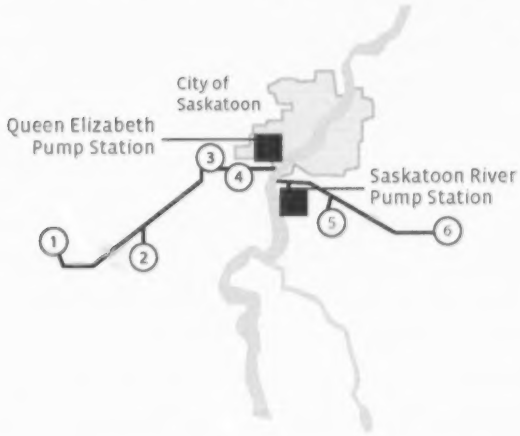


1. Bethune
2. Arm River Farming
3. Buffalo Plains Cattle Company
4. Disley
5. K+S Potash Canada
6. Marquis
7. Tuxford
8. Yara Belle Plaine Inc.
9. Canadian Salt
10. Grand Coulee
11. Caron/Mortlach Regional Public Utility Board

Regina East:
Potable Water Supply Systems

1. White City
2. Edenwold
3. Cupar

Saskatoon Area:
Non-Potable Water Supply System

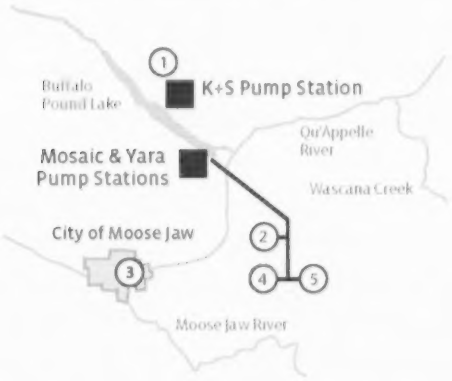


1. Agrium Potash
2. Vanscoy
3. PCS Cory and Cory Cogen
4. Cedar Villa
5. Golf Courses
   (WGCC/SGCC/Greenbryre)
6. Cargill

Saskatoon Southeast:
Non-Potable Water Supply System

1. Broderick
2. Brightwater Pipeline
3. PCS Allan
4. Mosaic Potash Colonsay ULC
5. Viscount
6. PCS Lanigan
7. Guernsey
8. Lanigan

Buffalo Pound Area:
Non-Potable Water Supply System



1. K+S Potash Canada
2. Terra Grain Fuels Inc.
3. Temple Gardens Mineral Spa
4. Yara Belle Plaine Inc.
5. Mosaic Potash Belle Plaine

Wastewater Treatment and Management

SaskWater owns and operates wastewater facilities in Nipawin, Pierceland and Fort Qu'Appelle. The Pierceland facility is a stand-alone system. The Nipawin and Fort Qu'Appelle facilities are regional wastewater systems serving multiple customers either through force mains or dump stations for commercial truck haulers.

In 2013, SaskWater received and treated 1.0 billion litres of wastewater.

Certified Operation and Maintenance (COM)

SaskWater contracts with 15 communities and rural pipeline groups to provide certified operation and maintenance of their water and wastewater systems, including:

- water supply works
- water treatment plants
- storage facilities
- distribution systems
- wastewater collection systems
- wastewater treatment facilities

The above services are supervised or performed by certified operators.

We also provide regulatory reporting and consultation, emergency planning, and customer support services.

SaskWater is able to offer the services of its qualified certified operators to communities and rural pipeline groups located near our existing operating centres.

Project Management

SaskWater provides project management services for customers to plan and manage the design and construction of water and wastewater infrastructure projects.

In 2013, SaskWater's project management activities continued to support the potash industry as companies investigate water supplies for potential new mines.

SaskWater also plans and manages the design and construction of water and wastewater infrastructure in northern Saskatchewan on behalf of the Ministry of Government Relations. From the Prince Albert office, SaskWater provides ongoing technical advice to northern communities and First Nations for maintenance and expansion of their water and wastewater infrastructure.

Water and Wastewater Training

SaskWater works on behalf of Aboriginal Affairs and Northern Development Canada (AANDC) to provide operating training to Saskatchewan First Nations. In 2013, SaskWater trained 56 water and wastewater operators at 29 First Nations. The number of First Nations participating in this training has gradually declined as their capability to operate their own facilities successfully and independently has grown.

The goal of SaskWater's training program is to assist in providing a safe water supply to residents and to safeguard their valuable water and wastewater infrastructure investment. The program began in 1978 and has evolved and expanded over the years to suit the specific water and wastewater operational needs of First Nations communities as they adapt to frequently changing technology and increasingly stringent regulatory requirements.

Benefits to First Nations communities include:

- enhanced quality of water and wastewater operation
- emergency technical assistance as required
- limited service disruptions and threats to public water quality and supply
- progressive operator development, including certification tutorial support
- annual water consumption records collection and reporting representation at project management team meetings on behalf of First Nations receiving new facilities or significant facility upgrades and, upon request, participation in relevant stakeholder meetings

Remote Monitoring

Partnering with TransGas (a subsidiary of SaskEnergy), SaskWater uses a Supervisory Control and Data Acquisition (SCADA) system to remotely monitor 52 SaskWater and customer owned facilities across the province 24 hours a day 365 days a year. The number of facilities we monitor with SCADA increased by 8.3% in 2013.

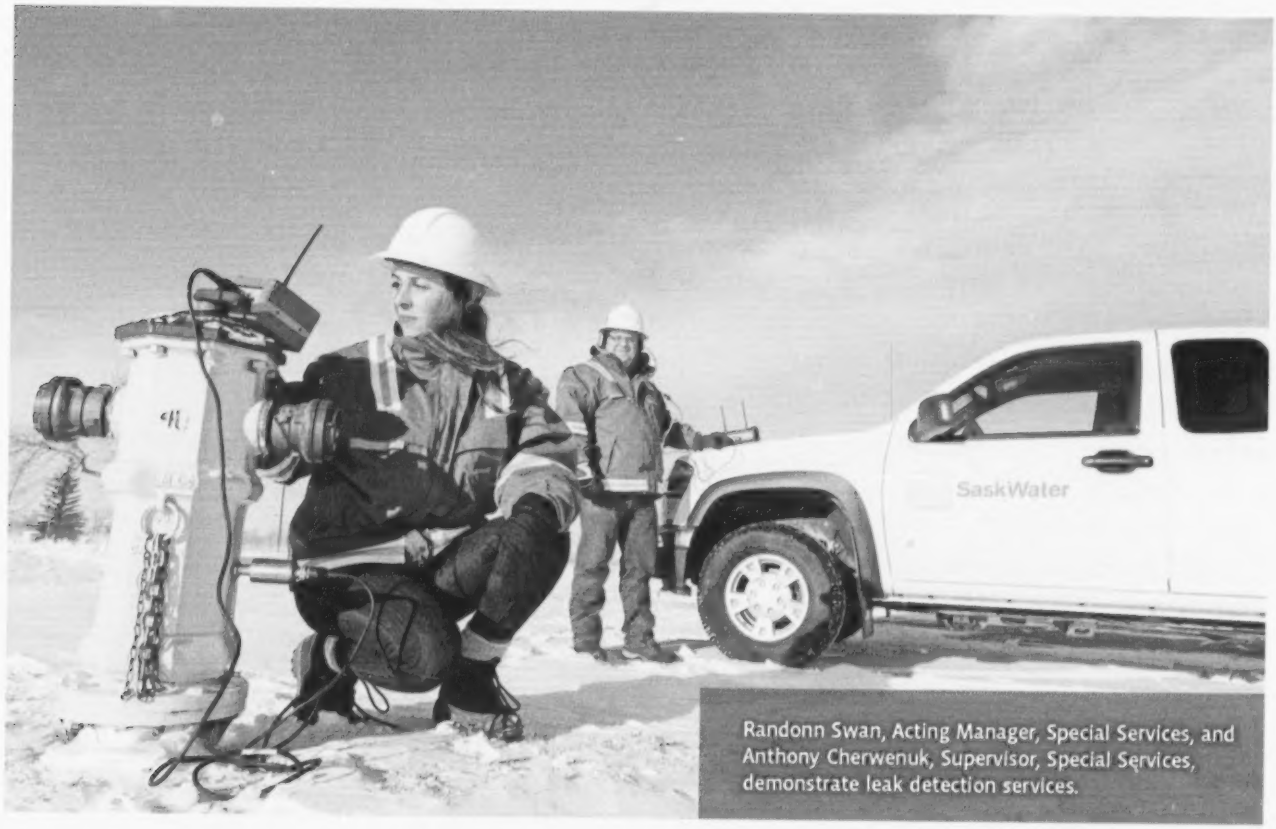
SCADA helps SaskWater improve services, enhance water quality monitoring and reduce costs. Operating water and wastewater systems for communities in a province the size of Saskatchewan can be challenging. SaskWater now serves approximately 66,000 people in 63 communities in a province that covers 140,000 square kilometres.

By remotely monitoring SaskWater facilities, cost for travel to sites is reduced and field staff can focus more time on preventative maintenance and facility improvements, providing a higher level of service to our customers.

Water Leak Detection

SaskWater provides leak detection services using acoustic correlation technology to detect subsurface water leaks and conduct leak audits on distribution systems.

This service strengthens SaskWater's commitment to provide safe, quality water to Saskatchewan communities as leaks of any size can damage infrastructure, contaminate a water supply, deprive a community of considerable revenue and waste a valuable natural resource.



Randonn Swan, Acting Manager, Special Services, and Anthony Cherwenuk, Supervisor, Special Services, demonstrate leak detection services.

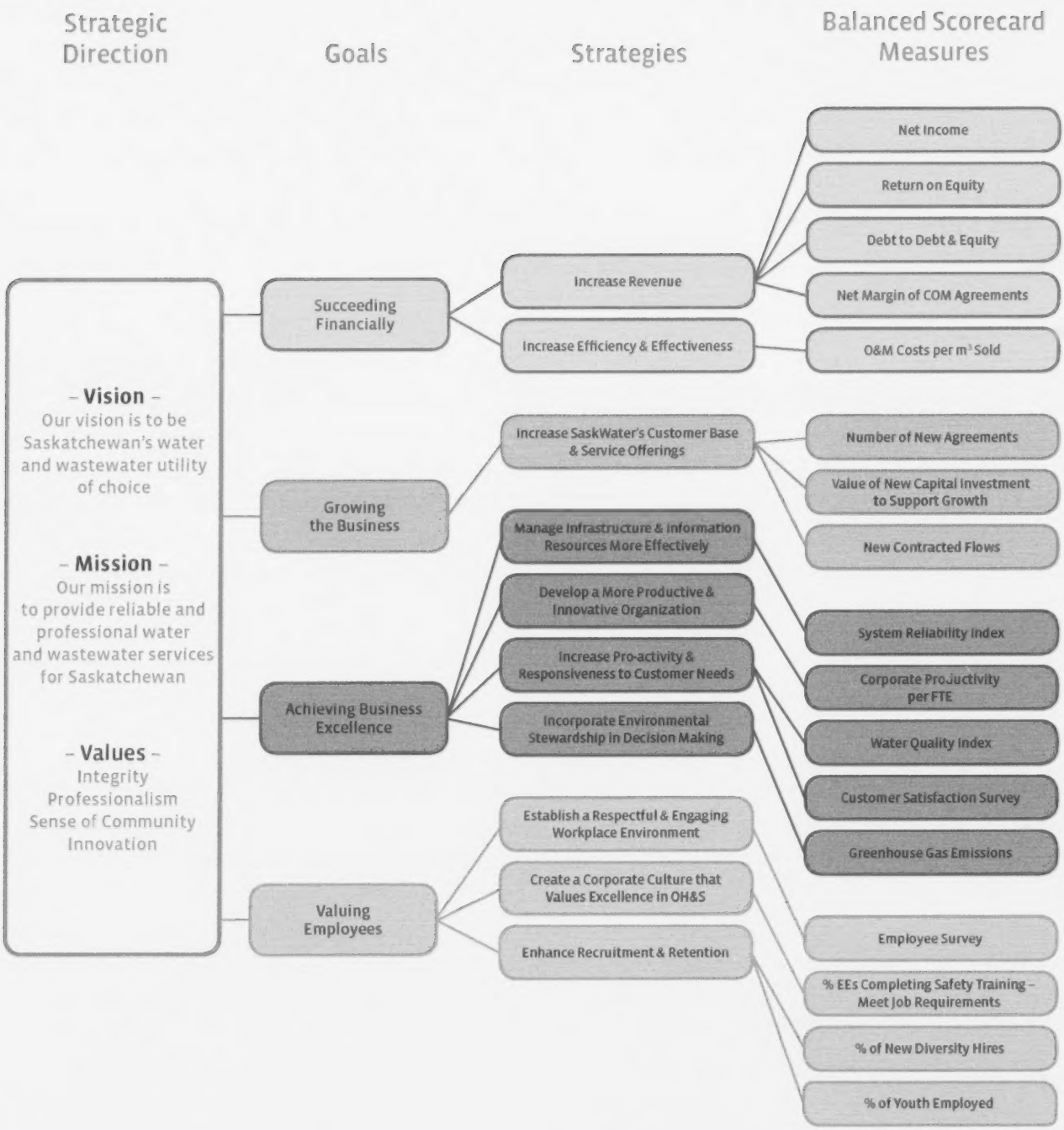
Strategic Plan & Balanced Scorecard

SaskWater is a subsidiary of Crown Investments Corporation (CIC). CIC engages with the Crown Sector as follows:

- *Advising and communicating to Crown corporations the Government's priorities, policies, strategic directions and performance expectations*
- *Developing and directing the implementation of a governance framework in the Crown sector that meets or exceeds best practices*
- *Monitoring Crown sector performance including tracking and reporting on specific targets for the shareholder*

Succeeding Financially
Growing the Business
Valuing Employees
Achieving Business Excellence
– Vision –
Our vision is to be Saskatchewan's water and wastewater utility of choice

SaskWater annually prepares a Performance Management Plan that outlines its strategic plan, business goals and performance measures. The 2013 Performance Management Plan was based on the corporation's Strategic Plan. The strategic plan outlines SaskWater's four goals, including Succeeding Financially, Growing the Business, Achieving Business Excellence and Valuing Employees. All four of these goals support SaskWater's vision, mission and values, and are the drivers of success for the corporation which guide SaskWater's business planning and reporting processes. On an annual basis the Board of Directors reviews progress and establishes priorities for the year. SaskWater then reviews its strategies and balanced scorecard measures and targets to ensure they continue to be appropriate. The following Balanced Scorecard outlines the corporation's achievement of these performance measures in 2013.


Strategic Direction
Goals
Strategies
Balanced Scorecard Measures
– Vision –
Our vision is to be Saskatchewan's water and wastewater utility of choice
– Mission –
Our mission is to provide reliable and professional water and wastewater services for Saskatchewan
– Values –
Integrity
Professionalism
Sense of Community
Innovation
Succeeding Financially
Growing the Business
Achieving Business Excellence
Valuing Employees
Increase Revenue
Increase Efficiency & Effectiveness
Increase SaskWater's Customer Base & Service Offerings
Manage Infrastructure & Information Resources More Effectively
Develop a More Productive & Innovative Organization
Increase Pro-activity & Responsiveness to Customer Needs
Incorporate Environmental Stewardship in Decision Making
Establish a Respectful & Engaging Workplace Environment
Create a Corporate Culture that Values Excellence in OH&S
Enhance Recruitment & Retention
Net Income
Return on Equity
Debt to Debt & Equity
Net Margin of COM Agreements
O&M Costs per m³ Sold
Number of New Agreements
Value of New Capital Investment to Support Growth
New Contracted Flows
System Reliability Index
Corporate Productivity per FTE
Water Quality Index
Customer Satisfaction Survey
Greenhouse Gas Emissions
Employee Survey
% EEs Completing Safety Training – Meet Job Requirements
% of New Diversity Hires
% of Youth Employed

Succeeding Financially

Strategic Objective		Measure	2013 Target	2013 Result	Indicator Light	2014 Target	2015 Target	2016 Target	2017 Target	2018 Target
Increase Revenue	1	Net Income (000s)	$3,975	$3,518	○	$3,724	$4,361	$5,127	$5,926	$6,566
	2	Return on Equity	9.0%	8.0%	○	7.7%	8.3%	9.0%	9.4%	9.5%
	3	Debt to Debt & Equity	57.0%	52.9%	◯	50.7%	55.3%	57.7%	59.2%	60.0%
Increase Efficiency & Effectiveness	4	Net Margin of COM Agreements (000s)	$371	$358	◯	N/A	N/A	N/A	N/A	N/A
	5	O&M Costs per m^3 Sold	$0.30	$0.35	○	$0.343	$0.333	$0.338	$0.322	$0.384

The measures for Succeeding Financially demonstrate SaskWater's commitment to operate on a financially sustainable basis. Improvement to financial health is based on achieving reasonable rates of return, maintaining an appropriate capital structure and improving corporate efficiencies.

Net Income and Return on Equity are used to assess the corporation's financial status. Both measures are slightly below target in 2013. The corporation sets funds aside every year to be used to retire debt that was used to finance its infrastructure. In 2013, the market value of those securities dropped by $1,047,000, resulting in an unrealized loss being charged against income. That charge accounts for being below the earnings target.

The Debt to Debt & Equity target is calculated as a ratio of total debt to the sum of total debt and equity. SaskWater's 2013 result for Debt to Debt & Equity is 52.9% which is on target.

Net Margin of COM Agreements tracks the net margin for the Certified Operations and Maintenance (COM) line of business. The purpose of the measure was to assess the contribution of this line of business which has grown significantly since 2010. Beginning in 2014, SaskWater will no longer track the performance of its COM agreements on its balanced scorecard and will instead focus on overall corporate results.

Improving efficiencies and maintaining costs is essential for the organization to succeed financially. The O&M Costs per cubic metre sold provides an assessment of operations and maintenance expenses for each cubic meter of water sold. It includes all direct expenses associated with the operation and maintenance of SaskWater's water and wastewater facilities. In 2013, this measure was slightly off target primarily as a result of non-potable volumes being approximately 19% lower than expected.

Legend

- ● Exceeded target by 20% or greater
- ○ On target
- ○ Slightly off target by up to 20%
- ● Off target by greater than 20%
- ◯ Target information not available

Growing the Business

Strategic Objective		Measure	2013 Target	2013 Result	Indicator Light	2014 Target	2015 Target	2016 Target	2017 Target	2018 Target
Increase Customer Base & Service Offerings	6	Number of New Agreements	6	7	○	3	3	4	5	5
	7	Value of New Capital Investment to Support Growth (000s)[1]	$9,300	$1,401	●	5.1%	12.5%	8.9%	10.7%	8.6%
	8	New Contracted Flows (L/s)	410	60	●	694	172	136	64	8

The measures for Growing the Business emphasize the importance of new customer growth to the corporation. Three measures are used to monitor progress in this area including Number of New Agreements, Value of New Capital Investment to Support Growth and New Contracted Flows.

Number of New Agreements tracks expansion in new water and wastewater agreements with new and existing municipalities, rural water utilities/associations and industrial customers for capital upgrades and/or service expansions. The measure includes all water, wastewater and COM agreements. Small customers using water for domestic purposes are excluded from this measure. An agreement is counted only once it has been finalized and signed. The result for this measure is typically low as the majority of Saskatchewan's communities have an existing facility and these are long life assets. Our growth is largely related to a community's population growth and the need for more service, the addition of new customers to regional systems and any industrial growth opportunities that lie outside of major municipal centres. In 2013, SaskWater signed seven new agreements. The majority of these new agreements were for potable water services.

In response to new growth in the province, SaskWater is developing new infrastructure to support the increased demand for water supply. The Value of New Capital Investment to Support Growth measures SaskWater's net expenditure on projects that support expansions for existing customers and projects from new customers. In 2013, SaskWater did not achieve the expected capital investment requirements due to project delays that occurred across all planned projects. The majority of these delays were based on customers' decisions to extend their projects over a longer period of time.

New Contracted Flows measures the estimated increase in peak flow as a result of expansion. Expansion is the result of new agreements or amendments to existing agreements for the potable and non-potable lines of business. Small customers using water for domestic purposes are excluded from this measure. New flows are counted once the water supply agreement has been signed. In 2013, SaskWater added 60 L/s of new flows, which is below the target of 410 L/s. SaskWater did not meet the 2013 target as some of the agreements planned when the target was set did not occur. When targets are set for this measure, there is much speculation involved, and the status of potential projects can change relatively quickly.

[1] *Beginning in 2014, this measure will change to a ratio of net capital expenditures on new projects to property, plant and equipment (less total deferred revenue).*

Achieving Business Excellence

Strategic Objective		Measure	2013 Target	2013 Result	Indicator Light	2014 Target	2015 Target	2016 Target	2017 Target	2018 Target
Manage Our Infrastructure & Information Resources More Effectively	9	System Reliability Index	19.93	19.64	◯	19.65	19.65	19.65	19.65	19.65
Develop a More Productive & Innovative Organization	10	Corporate Productivity per FTE (000s)	$377	$378	◯	$366	$389	$400	$457	$528
Increase Proactivity & Responsiveness to Customer Needs	11	Water Quality Index	0.977	0.993	◯	0.977	0.977	0.977	0.977	0.977
	12	Customer Satisfaction Survey	N/A	N/A	◯	8.30	N/A	8.30	N/A	8.30
Incorporate Environmental Stewardship in Decision Making	13	Greenhouse Gas Emission (CO^2e in metric tonnes)	593	556	◯	569	558	547	536	525

Legend

- ◯ Exceeded target by 20% or greater
- ◯ On target
- ◯ Slightly off target by up to 20%
- ◯ Off target by greater than 20%
- ◯ Target information not available

The Achieving Business Excellence measures highlight the importance of safe and reliable water and wastewater service to customers. As this is an area of significant importance to SaskWater, two new measures were added in 2013, the System Reliability Index and the Water Quality Index.

The System Reliability Index tracks the reliability of SaskWater's owned systems including potable water, non-potable water and wastewater. COM systems are excluded from this measure as SaskWater's involvement varies from customer to customer. This measure supports SaskWater's efforts to improve the service provided to customers through the provision of reliable water and wastewater services. The measure incorporates four equally weighted factors including unplanned interruptions, length of planned and unplanned interruptions, compliance with planned service interruptions procedures and transmission pipeline water loss. This measure is on target, with a result of 1964 out of a maximum value of 2000. This measure was impacted by the water loss factor, where a meter issue slightly lowered the result from the expected target of 1993.

A Corporate Productivity measure is used to assess SaskWater's workforce against the revenue they help generate. This measure is calculated as the ratio of gross revenue to the number of FTEs (full-time equivalent). An FTE is all paid hours worked including overtime for permanent, part-time, casual and temporary employees. In 2013, SaskWater had 119.91 FTEs and total gross revenue of $42.27 million, resulting in a corporate productivity result of $378 thousand, which is on target.

The Water Quality Index tracks SaskWater's compliance with water quality standards on its 17 potable water systems using four water quality tests including turbidity, trihalomethanes, chlorine and bacteriological analysis. This measure includes testing on all treatment plants and transmission pipelines, with the exception of turbidity. Turbidity is only tested in treatment plants as it is not regulated in transmission pipelines in Saskatchewan. In 2013, SaskWater's Water Quality Index was 0.993 out of a maximum value of 1.000. Trihalomethane (THM) results were better than forecast in 2013 due to enhancements made to one of SaskWater's facilities.

On a biennial basis, SaskWater conducts a Customer Satisfaction Survey to understand customer's perceptions regarding their water and wastewater services, their satisfaction level with SaskWater and their perceptions of the rates they receive. The last survey was conducted in 2012, and the next one is scheduled for 2014.

The Greenhouse Gas Emissions measure tracks SaskWater's overall greenhouse gas (GHG) emissions. This is an intensity-based measure that takes a ratio of GHG emissions (carbon dioxide equivalent, CO_2e in metric tonnes) to total sales volumes for potable water, non-potable water and wastewater. This measure is also considered an efficiency measure for the corporation as the majority of SaskWater's emissions are the result of power consumption. Where SaskWater reduces the amount of power it consumes, it reduces the amount of GHG emissions that are released into the environment and reduces the cost of power. SaskWater's 2013 greenhouse gas (GHG) emissions audit estimated emissions of 22,311 metric tonnes of CO_2e, and total sales volumes of 40.13 million m^3. The final result for this measure is a GHG ratio of 556 tonnes of CO_2e per million cubic metres. Since 2006, SaskWater has reduced its emissions ratio by 14%, which is two-thirds of its 2020 target of a 20% reduction.

Valuing Employees

Strategic Objective		Measure	2013 Target	2013 Result	Indicator Light	2014 Target	2015 Target	2016 Target	2017 Target	2018 Target
Establish a Respectful & Engaging Workplace Environment	14	Employee Survey	70%	72%	◯	N/A	72%	N/A	74%	N/A
Create a Corporate Culture that Values Excellence in OH&S	15	Percentage of Employees Completing their Full Safety Training Complement to Meet Job Requirements[2]	50%	59%	◯	N/A	N/A	N/A	N/A	N/A
Enhance Recruitment & Retention	16	Percentage of New Diversity Hires	25%	27%	◯	25%	25%	25%	25%	25%
	17	Percentage of Youth Employed[3]	30%	27%	◯	60%	60%	60%	60%	60%

Legend

- ● Exceeded target by 20% or greater
- ◯ On target
- ○ Slightly off target by up to 20%
- ● Off target by greater than 20%
- ◯ Target information not available

SaskWater uses four measures to emphasize the importance of its employees, including an Employee Survey, Percentage of Employees Completing their Safety Training to Meet Job Requirements, Percentage of New Diversity Hires and Percentage of Youth Employed.

On a biennial basis, SaskWater surveys its employees to measure overall employee engagement. This measure provides an indication on the level of employee morale and is used to understand the effectiveness of management initiatives to improve engagement. In the 2013 survey, the overall result was 71.8%. The areas in which employees feel that SaskWater is doing well are in the work environment, communication with immediate management, and professional development opportunities. Areas identified by staff that could be improved include work-life balance, communication of information across the organization, and compensation.

The Percentage of Employees Completing their Full Safety Training Complement to Meet Job Requirements is used to measure safety training. This measure takes into account all employees requiring safety training as part of their job requirements, and their current status respecting completion. The result for this measure is higher than targeted for 2013. Improvement in this area, in comparison with 2012, can be attributed to the hiring of a dedicated Health, Safety and Environment professional. This measure will be replaced in 2014 with a Safety Index measure that will track recordable injuries and lost-time injury frequency, and will further improve SaskWater's ability to measure its safety performance.

The Percentage of New Diversity Hires takes into account the four diversity categories defined by Saskatchewan Human Rights Commission (SHRC) including women in under-represented and management groups, Aboriginals, people with disabilities, and visible minorities. SaskWater's goal over the long-term is to meet SHRC's targets. SaskWater's 2013 result of 27% is on target. Over the past five years, results for this measure have fluctuated, ranging from 19% to 36%. This measure will continue to be tracked in SaskWater's 2014 balanced scorecard.

The Percentage of Youth Employed is a ratio of the number of employees in the workplace who are 35 years of age or younger to the total number of employees. SaskWater's goal is to maintain or increase its current representation of youth in the workplace and support its designation as a youth-friendly workplace. In 2013, the percentage of youth employed is slightly below target at 27%. Although SaskWater hired new youth employees during the year, an equal number of youth employees ended their employment with SaskWater in 2013. The majority of these employees were non-permanent employees including Co-op students, Gradworks interns, and temporary employees. To better measure efforts at improving recruitment and retention initiatives, this measure will be modified for 2014 to a percentage of new youth hires.

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[2] *A new Safety Index measure will replace this measure beginning in 2014.*

[3] *This measure will be changed in 2014 to a percentage of new youth hires.*

Valuing Employees

Courtney Mihalicz, Senior Corporate Communications Consultant, and Sarah Beres, Human Resources Associate at SaskWater's headquarters in Moose Jaw.

SaskWater values its employees as they are the foundation of the organization and are key to the services we provide. As part of our commitment to valuing employees, SaskWater is dedicated to employee wellness and safety, and strives to create an inclusive and respectful workplace, offer competitive benefit and wage packages, and provide professional development opportunities.

Strategies for Valuing Employees

Establish a Respectful and Engaging Workplace Environment
Create a Corporate Culture that Values Excellence in Occupational Health & Safety
Enhance Recruitment and Retention

Employees

At SaskWater, employees are the corporation's most important asset and provide a valuable connection to our customers, industry contacts and the general public.

Headquartered in Moose Jaw, SaskWater has approximately 117 employees working in 14 provincial locations: Moose Jaw, Watrous, Prince Albert, Saskatoon, Hanley, Wakaw, Melfort, Regina, Elbow, Gravelbourg, Meota, Cochin, La Ronge and Cupar.

SaskWater operates in a unionized environment; 72 of our permanent employees are members of the UNIFOR Union, Local 820.

Building a Career

SaskWater holds a Service Recognition Award night each year to acknowledge employees who reach milestones in their career with the corporation. This year, we recognized our employees who reached their 5, 10, 15, 20, 25 or 35 years of service with SaskWater, representing one-quarter of our employees.

Bringing International Skills and Experience

Diversity, a skilled workforce, and immigration are contributing to Saskatchewan's growing population and economy. New employees at SaskWater in recent years represent a wide range of skills, qualifications and experiences from countries around the world. They have made Saskatchewan home and bring a multitude of diverse perspectives to the corporation. Look for profiles of six of our colleagues throughout this annual report.

Heba Desouky is a Senior Project Engineer with SaskWater. She started working with the corporation in December 2012. Heba grew up in Egypt and immigrated to Canada with her family in 2011 after living in the United States for a few years. They came to Saskatchewan with their two young children and had a third child in Moose Jaw.

She has a Bachelor of Civil Engineering from Cairo University and a Master's in Construction Management from the University of Cincinnati in Ohio. Her husband has a PhD in Environmental Engineering and works at SIAST.

Heba worked for the Ministry of Water Resources and Irrigation in Egypt in technical engineering. "The work we did there is similar to what we do here at SaskWater," she says. "That's why I find SaskWater so interesting."

Diversity

At SaskWater, we understand the importance of a diverse workforce to support our operations and help us continue to be an innovative and forward-looking corporation.

Crown Investments Corporation provides direction to SaskWater on human resources, including promoting the Gradworks program, Full Time Equivalent (FTE) staff levels, and creating and supporting a representative workforce. Strategies include attraction, retention, training and promotion of the Saskatchewan Human Rights Commission representative categories: women in under-represented positions, visible minorities, First Nations and Metis people, and persons with disabilities.

In 2013, members of these designated equity groups represented 24% of SaskWater's workforce, which is consistent with recent years. To further support diversity, we continue to deliver an *Aboriginal Cultural Awareness Program (ACAP)* to SaskWater employees. In 2013, 11 of our employees attended this program, bringing the total number of employees trained to 96%.

Our employees also attend *Respect in the Workplace* interactive workshops. Employees develop an understanding of how beliefs and values shape behaviour, and they learn how to bridge differences in the workplace. Nine of our employees attended this training in 2013, bringing the total number of employees trained to 82%.

The *Building Successful Working Relationships* workshop is the next step in creating a respectful workplace environment. Eleven SaskWater employees participated in this workshop in 2013, as a supplement to *Respect in the Workplace*, bringing the total employees trained to 41%.

Training

SaskWater encourages and supports training in the areas of ongoing education and professional development for employees. Training is offered to upgrade the knowledge and skills of employees. This increases organizational effectiveness by raising overall employee performance.

In 2013, 97 employees took part in training initiatives which included continuing their formal education and attending conferences, workshops, seminars, occupational health and safety and mandatory training for new employees.

Education

In the water and wastewater industry, education is important, whether it is teaching youth about how safe drinking water gets to their taps or supporting students in their post-secondary education.

Investing in post-secondary education is investing in SaskWater's future employees and the future workforce of Saskatchewan. SaskWater's scholarships, co-op terms and internships show our commitment to recruiting promising young talent in Saskatchewan.

SaskWater initiated a new SIAST Award in 2013 for students in the Water Resources Engineering Technology program. Four awards totalling $10,000 are now available, two $2,500 awards for first year students, and two $2,500 awards for second year students. One award for each year is open to all students; the second is intended for Aboriginal students to encourage post-secondary education for First Nations.

35 Years and Going Strong

A long career with the same company shows a balance of commitment and a good work environment. SaskWater recognized four employees who reached their 35 years of service milestone in 2013. This is a unique and significant achievement in an organization with 117 employees.

Dennis Frey ranks as the longest serving of these four venerable employees. He started as a summer student with the Saskatchewan Water Supply Board (SaskWater's original incarnation) in June 1976, joining full time a year later upon graduation from the SIAST Kelsey Campus in Saskatoon. Today, he is Manager of District Operations. Following many years working in Watrous, Dennis relocated to our Saskatoon office in 2013. He noted at the Service Recognition Awards in June that he has had the opportunity to work with almost everyone in the organization over the years.

Starting with a summer job in 1977 during his final year of university, Glen Gillis is now Manager of Northern Engineering in SaskWater's Prince Albert office, managing the northern sewer and water program on behalf of the provincial Ministry of Government Relations. He works with communities and First Nations, providing ongoing technical advice, planning and prioritizing water and wastewater needs, project management, and general engineering services including planning, designing and constructing water and wastewater infrastructure across more than half the province.

In 2010, Glen received SaskWater's first ever Performance Excellence Award.

Robert Hyggen has worked his full 35 years in Prince Albert. He started with the provincial government in August of 1977 and is currently Program Coordination Assistant. He handles the administration work, record keeping and data, and processes the financials for the Northern Municipal Trust Account. Robert is one of three employees at the Prince Albert office, where, along with Glen Gillis, a 35 year career with SaskWater appears to be the norm rather than the exception.

In September 1977, Shahid Khan joined the Department of Northern Saskatchewan, also in Prince Albert, as a planning and design

Glen Gillis, Manager, Northern Engineering, Shahid Khan, Manager, Water and Wastewater Engineering, Dennis Frey, Manager, District Operations, and Robert Hyggen, Program Coordination Assistant, celebrate their 35 years of service at SaskWater's annual Service Recognition Awards dinner.

engineer providing design and project management services for water and sewer systems. He adopted many new alternative designs where extended winters and muskeg permafrost conditions dictate innovative approaches.

In 1987, now with SaskWater, Shahid relocated to the Moose Jaw office as a senior municipal engineer. Since October 2002, he has been Manager of Water and Wastewater Engineering. He directs corporate water and wastewater projects and provides senior engineering and management expertise in the research and investigation, planning, design, operation and maintenance, and troubleshooting of the corporation's water and wastewater facilities.

These four employees demonstrate with their long careers and expertise all of the values that SaskWater holds important as a corporation: integrity, professionalism, sense of community and innovation. They have seen the corporation through all of its changes over the years, and continue to help SaskWater and its customers grow and prosper.

Community Investment

Part of SaskWater's role as a commercial Crown corporation is to support Saskatchewan communities. We embrace our responsibility to make a positive contribution to the province. In 2013, SaskWater was proud to support 89 events in the province. This included sponsorship of 41 events and the provision of promotional items to an additional 48 events. This community investment was province wide, going to 34 communities.

SaskWater awards scholarships and bursaries as part of our community investment program. In 2013, we distributed more than $13,000 in scholarships and bursaries, including to SIAST for their Water Resources Engineering Technology Diploma program and to Saskatchewan Visible Minority Employees Association (SVMEA). With respect to learning, we also supported Project Day with the Faculty of Engineering at the University of Regina and programs with the Saskatchewan Science Centre.

A strategic area for community investment has been environmental stewardship, and in 2013 we continued these efforts with sponsorships of the Saskatchewan Eco Network for their "Sea the Change, Be the Change" Film Festival. The theme for the entire festival was water which was an ideal fit for SaskWater. We also supported the Waste Reduction Council with a sponsorship of the *Waste Reforum*.

The second strategic area for our community investment is support of our First Nations communities. SaskWater supported the Northern Saskatchewan Elder's Gathering, the Big Island Lake Cree Nation – Centennial Treaty 6 Celebration, National Aboriginal Day, and the Kapesiwin Elder Youth Language Camp.

Supporting other organizations that focus on water has continued with our support of the Saskatchewan Water and Wastewater Association (SWWA) and Western Canada Water (WCW). We also supported the Saskatchewan Association of Watersheds with a student bursary for their 8th annual Watershed Conference.

Supporting the communities in which we live, work and do business is important, and we continued our sponsorships in Saskatchewan communities including the Wakaw Playground with installation of a new play structure, the Cupar Pool, the Watrous Fun Run, the Moose Jaw Health Foundation and the Communiskate Lottery in Emerald Park and White City.

Young People Educating Young People: Engineers Without Borders

SaskWater celebrated the fifth year of its Engineers Without Borders (EWB) sponsorship in 2013.

The sponsorship is a part of our *Save a drop. Save a lot.* water conservation campaign. The sponsorship provides funds to the EWB chapters at the University of Regina and the University of Saskatchewan to support their delivery of *Water for the World* workshops to students in SaskWater's customer communities.

"The impact of the sponsorship has been beneficial for both the University of Regina EWB Youth Venture (YV) team who do not often have the opportunity to reach youth in rural communities, and the rural schools who do not often have the opportunity to supplement their lesson plans with guest speakers," said UofR EWB Youth Venture Director Jane Parovsky.

The YV program works to educate and empower youth on global issues and instill in them the drive to pursue deeper knowledge of these subjects in an attempt to help them become model global citizens and turn their good intentions into good impact.

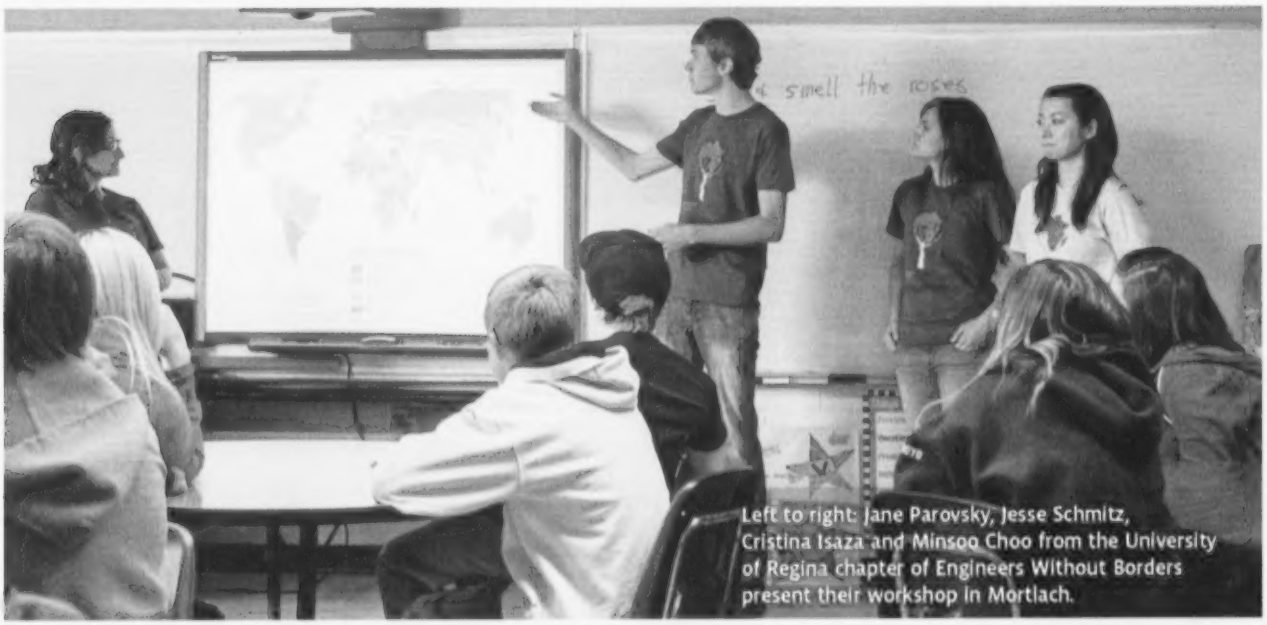
The *Water for the World* presentation showcases the importance of water. It highlights issues of water scarcity, purity and why individuals and nations should care about water. The presentation explores Canadian water issues as well as water access issues in developing countries.

During the interactive workshop, students are assigned a country, and their goal is to build the best water filters using the supplies provided and an amount of money that corresponds to the GDP of their assigned country. As they build their water filter out of a 2-litre pop bottle and layers of sand and gravel, the students discover how water filtration works and learn firsthand about the challenges that face developing countries in their mission to provide safe water for their citizens.

The 2013 sponsorship also included a presentation to 40 exchange students from India at the University of Saskatchewan as well as 200 students at the Saskatoon Grade 7/8 Science Fair.

"The tour was an excellent outreach achievement for our chapter, as well as a great experience for the volunteers," said UofS EWB member Ahmed Abdel-Salam. "We truly appreciate SaskWater's support and hope that our sponsorship continues in the future."

Over the five years of the sponsorship, the EWB *Water for the World* workshops have been presented in approximately 40 communities to more than 5,000 students.



Left to right: Jane Parovsky, Jesse Schmitz, Cristina Isaza and Minsoo Choo from the University of Regina chapter of Engineers Without Borders present their workshop in Mortlach.

Business Partnerships and Sponsorships

Industry partnerships are a key part of business development at SaskWater.

SaskWater has a memorandum of understanding with the Association of Consulting Engineering Companies – Saskatchewan (ACEC-SK) – formerly the Consulting Engineers of Saskatchewan - that guides our relationship and provides for an effective use of private sector resources. The two organizations collaborate in many areas including the review of water and wastewater technology and exchanges of information, experience and best practices. In January 2013, ACEC-SK and SaskWater partnered to host a Technical Exchange. Consultants, operators and regulators, including Saskatchewan Environment and the Water Security Agency, met to share knowledge to the benefit of the entire water and wastewater industry. These exchanges are offered every other year.

Another key partnership is with the Saskatchewan Urban Municipalities Association (SUMA). As in the past several years, SaskWater was a diamond sponsor of the SUMA Annual Convention sponsoring the keynote address. This sponsorship allows SaskWater to:

- enhance relationships with existing municipal customers and reach new customers
- promote an understanding of SaskWater's business
- share our expertise and experience in water and wastewater management
- work together to provide safe, quality water products and services to Saskatchewan municipalities

Business relationships and sponsorships also exist with the Saskatchewan Chamber of Commerce. SaskWater annually supports the Saskatchewan Awards for Business Excellence (ABEX) by sponsoring the award for Environment. We also sponsor both the Moose Jaw and Nipawin ABEX Awards. Other business sponsorships include the Saskatchewan Economic Development Association, The Municipal Infrastructure Conference, the Paul Hill School of Business and Urban Municipal Administrators' Association of Saskatchewan.

Proud Participant in the Gradworks Internship Program

In 2013, five Gradworks interns were provided work placements with SaskWater. Three were given positions with our Operations & Engineering Division and two with our Business Development & Corporate Services Division. These positions included a Project Administrator, two Senior Technologists, a Policy Analyst, and a Communications Consultant.

As part of the program, each intern is paired with a coach who acts as a mentor within the organization. At SaskWater, these coach positions are filled by our senior employees or managers who help their interns develop professionally in their job and prepare for a future in their field. This one-on-one guidance helps interns learn the necessary skills to get ahead in their careers.

Established by Crown Investments Corporation in 2005, Gradworks internships are intended for recent post-secondary graduates with little or no work experience in their field of study. The 12-month positions provide the interns with challenging and career-focused opportunities, allowing them to gain experience and develop specific career related skills. They also encourage youth participation in Saskatchewan's Crown corporations, providing graduates with the opportunity to get their foot in the door and begin their careers within the Crown sector.

Mahzabin Akhand, Policy and Planning Analyst, Kirsten Lott, Project Administrator, and Lance Hiltz, Corporate Communications Consultant, are three of the Gradworks interns who worked at SaskWater in 2013.

An Education on Three Continents

Mahzabin Akhand was born and raised in Bangladesh. She completed her Bachelor's degree in Economics with Honours from University of Dhaka, Bangladesh, where she met her husband and got married in 2009. She spent a year in Europe studying *Economics of International Trade and European Integration* on a scholarship from the European Commission. The degree program is jointly run by Staffordshire University, UK, University of Antwerp, Belgium and University of Economics, Prague, Czech Republic, and she spent a semester at each of these three universities.

After finishing those studies, she came to Canada and started the Master's program in Economics at the University of Saskatchewan in January 2011 and graduated in October 2012.

As a Gradworks intern, Mahzabin joined SaskWater in March 2013 as a Policy and Planning Analyst. "My experience at SaskWater has been very enriching in terms of the quality of work I have been assigned to do, which has helped me increase my confidence and skill. I also enjoy the friendly work environment," she says.

Building a Life in Canada

Nish Prasad came to Canada in 2001 from India. In 2002, he returned to India to marry, and with his wife, came back to Saskatchewan. Their son and daughter were both born in Regina.

Nish has a Bachelor's degree in Economics with Honours from Delhi University and an MBA from Bharati Vidyapeeth. He worked for 12 years in the water and wastewater industry out of Saskatoon before starting with SaskWater in June 2012. Nish is an account manager in the Business Development unit.

"When I came here, starting in sales was not easy. It worked in my favour that I got to see different places and people, and that built my confidence. It also gave me a chance to work with many First Nations. Now I have so many friends here in Saskatchewan," Nish says.

Celebrating Moose Jaw's Citizen of the Year

SaskWater's Darlene Guy was surprised and honoured to receive the 2013 Citizen of the Year Award from the Moose Jaw and District Chamber of Commerce. She won for her countless hours of volunteer work in the community stretching back over the past 10 years.

Darlene started volunteering in 2004 to add something to her resume. She has helped with events including the Saskatchewan Air Show, Moose Jawg Charity Road Race, Sidewalk Days, Canada Cup of Curling, the 2010 Winter Games and six functions for Wakamow Valley each year. In 2013, she volunteered with the two biggest events in the province, the very successful Juno Awards and the historic 101st Grey Cup in Regina.

"I don't see it ending, no. I just enjoy it. I enjoy the people that I've met," Darlene told the media after receiving the award. "I live in the city. I love the city, and I like to see events come to the city."

She also celebrated five years at SaskWater in 2013, and mentioned in her acceptance of the Citizen of the Year award the support she gets from her employer, acknowledging that she uses most of her days off for volunteering.

Safety Program Initiatives

As a charter member of Safe Saskatchewan, SaskWater believes safety is a priority. The corporation is committed to a safety program that values its employees and a safe work environment. To help achieve these goals, SaskWater advanced several Health, Safety & Environment (HSE) initiatives in 2013.

SaskWater hired a fulltime Health, Safety & Environment manager in June 2013, to manage the corporation's safety program. The complexities of staff in 14 work locations around the province, three Occupational Health & Safety (OH&S) committees, and major construction projects at other locations are some of the challenges for an effective program.

On large contract sites, such as the Zelma East pipeline installation, the contractor is responsible for HSE; on smaller projects, such as the White City expansion, SaskWater works with the contractors to manage HSE.

"An injury-free Saskatchewan where safe lifestyles influence how we live, work and play is within our reach. The vision of a safe and healthy province is one that Safe Saskatchewan and its strategic partners are working to attain."

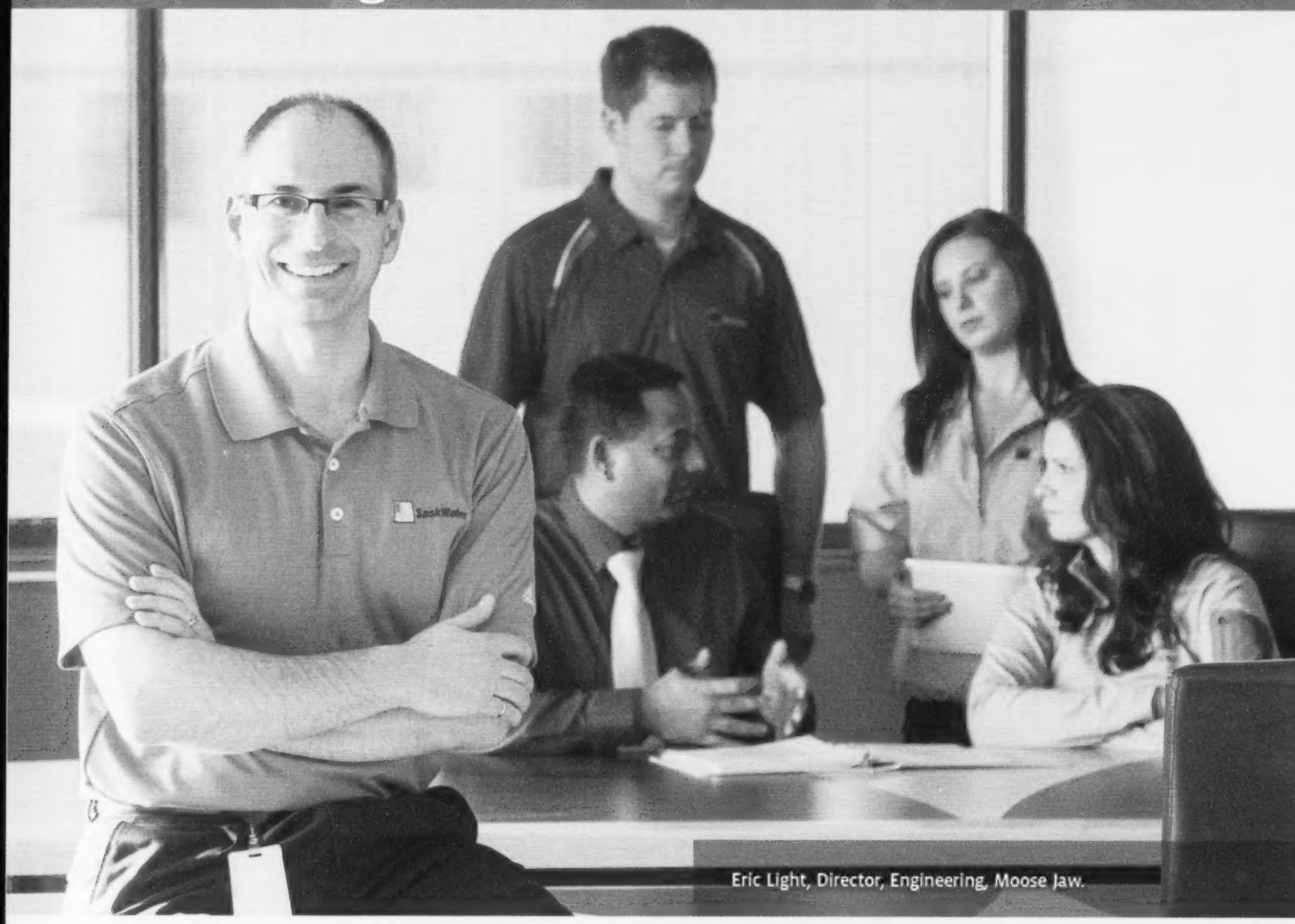
– Safe Saskatchewan website

In 2013, SaskWater developed an occupational health and safety policy statement. We also conducted risk assessments in the field and created hazard assessments for 20 positions. We set a target to have 50% of staff complete all of their mandatory safety training as described in their position descriptions. The outcome achieved of 61% of staff completing all of their mandatory safety training exceeded our target. The corporation continues to promote safety training going forward.

Due to increases in employees in different locations, the OH&S committees were realigned in 2013. SaskWater now has three OH&S committees, in Saskatoon, Regina and Moose Jaw.

Along with improving staff's safety awareness, SaskWater has a new Safety Index that establishes Balanced Scorecard measures for occupational health and safety. The measures evaluate the success of the safety program to ensure that injuries are reduced to as few as possible. The goal is to have zero work-related injuries. As the program evolves, it is expected that the workplace will be made safer, with greater focus on the recognition of hazards and the mitigation of risks. The targets align SaskWater with industry best practices.

Achieving Business Excellence



Eric Light, Director, Engineering, Moose Jaw.

Providing quality services to our customers is important to SaskWater, and we focus our efforts on how we can excel as a business and a service provider. SaskWater will continue to deliver on our promise to provide safe and reliable water and wastewater services to our customers. We do this by having knowledgeable and experienced operators, reliable infrastructure, excellent customer service and professional expertise regarding the provision of water and wastewater services.

Strategies for Achieving Business Excellence

- Manage our Infrastructure and Information Resources More Effectively
- Develop a More Productive and Innovative Organization
- Increase our Pro-Activity and Responsiveness to Customer Needs
- Incorporate Environmental Stewardship in Decision Making

Saskatchewan Business Magazine's Top 100

SaskWater is among the top Saskatchewan businesses! When *Saskatchewan Business Magazine* released its annual "Top 100" issue, showcasing the best companies helping to drive the economy in our province, SaskWater made the list in the 100th spot. This is the first time we have ranked on this list, though we have been close in the past – in 2012, we placed third on the "Next 100" list. SaskWater is proud of this recognition. This achievement reflects the effort and hard work put forward by everyone at the corporation over this past year.

Canada's Top 25 Immigrant Award Winner

Sumith Kahanda is a Senior Projects Engineer (Major Projects). He started working with SaskWater in August 2012. Sumith grew up in Sri Lanka and immigrated to Canada with his wife in 2002, and they have lived in Saskatoon ever since. In 2010, Sumith won Canada's Top 25 Immigrant Award for his achievements and community services in Canada. In 2011, he was appointed to the Board of Directors of SaskTel and served on the board for one year before joining SaskWater.

Sumith has a Bachelor of Science degree in Agriculture (Major Agriculture Engineering) from University of Peradeniya, Sri Lanka, a Master's in Water Resources Engineering from Katholieke University, Belgium, and a PhD in Agriculture and Bioresources Engineering, from University of Saskatchewan. He was a consulting engineer with a private company in Saskatoon before joining SaskWater.

Enhancing the Efficiency and Effectiveness of Operations

SaskWater's efficiency strategy continues to foster a culture of corporate resourcefulness. Staff are encouraged to find ways to become more efficient in their work, improve the effectiveness of existing assets, carry out maintenance activities more effectively, and find innovative ways to reduce costs.

Highlights of initiatives from 2013 that achieve cost savings and improve customer service at SaskWater include the following:

Energy Saving Programs

Energy is a major input cost for SaskWater and an area of focus for savings. New technology, natural run-off volumes, the addition of new systems and the volume of water pumped all influence the amount of energy consumed.

SaskWater implemented a wireless cell phone system for its Pierceland water supply system. The community's remote location meant that any electrical issues in this system required an individual from Instrumentation & Electrical (I&E) to travel to Pierceland. The wireless cell phone system allows I&E to remotely access and repair electrical issues offsite rather than travelling to the community. This saves the travel and salary costs. SaskWater plans to add this capability to other systems as well.

Infrared scanning of the drive system in the Clarence booster station identified components that needed replacing. A power surge – a not uncommon event – would have damaged the system if these components had not been replaced and potentially caused a $35,000 expense.

Applying Savings to Future Projects

SaskWater initiated work on instrumentation and electrical specifications for future water supply system designs, which incorporate improved pump control program standards to ensure new water supply systems are more efficiently programmed and operated.

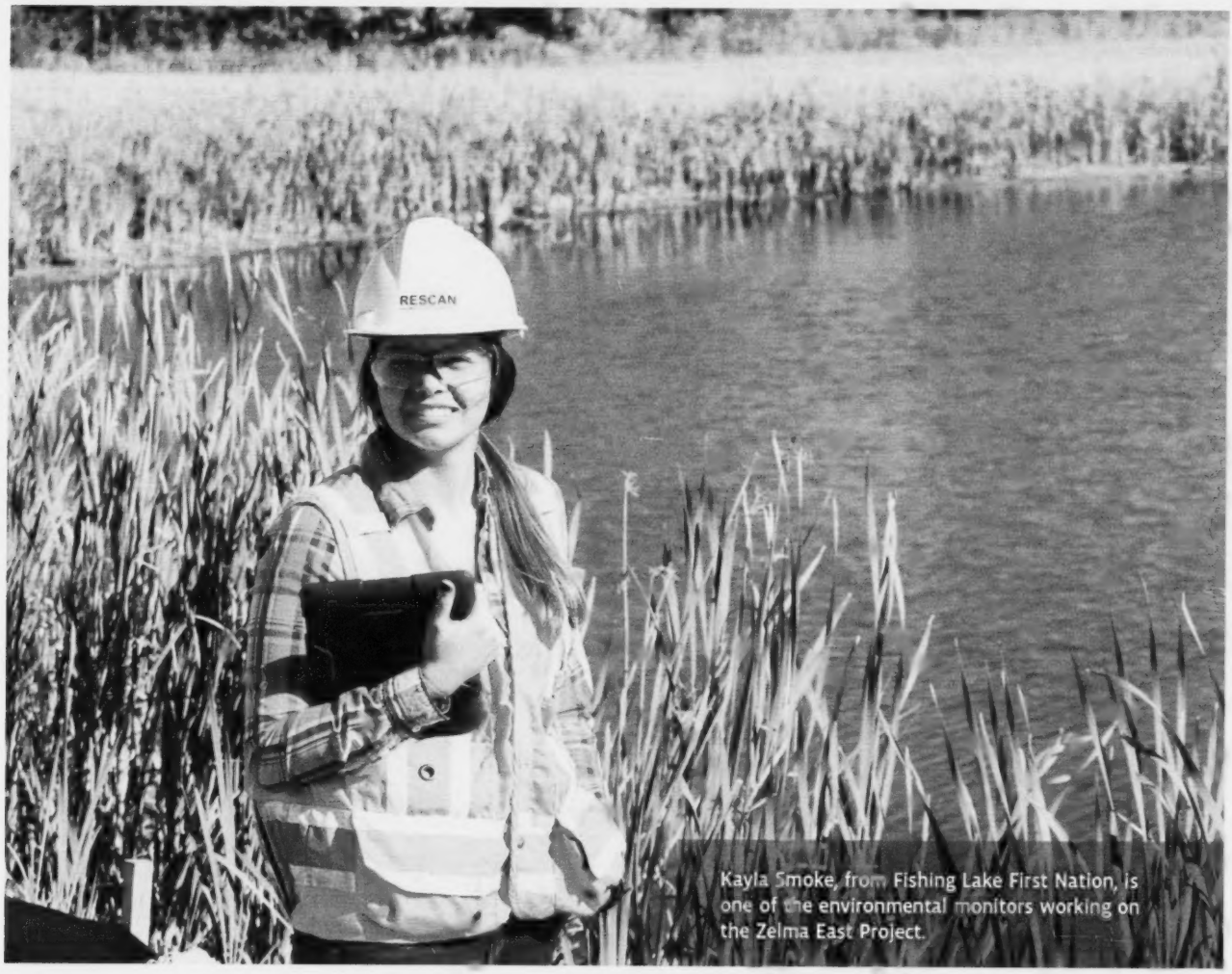
Working with First Nations around Saskatchewan

Dean Bellegarde is SaskWater's Manager of Aboriginal Affairs. His role is all about building relationships with First Nations communities, and his work combines elements of business development, operations, communications and even human resources.

SaskWater supplies potable water to One Arrow First Nation and Certified Operation and Maintenance (COM) service to the Lac La Ronge Regional Water Corporation, of which the Lac La Ronge Indian Band is a member. The corporation has long worked with the Circuit Riders to train First Nations water and wastewater operators. Our new SIAST awards for Aboriginal students strengthen our commitment to increasing First Nations training and employment. Brenda Merasty is a First Nations woman and a member of SaskWater's board of directors.

Building Relationships

Along with staff from the Business Development unit and Operations, Dean puts a lot of effort into building a rapport with the bands. He communicates with First Nations throughout Saskatchewan, informing them about what SaskWater does and can do for them.



Kayla Smoke, from Fishing Lake First Nation, is one of the environmental monitors working on the Zelma East Project.

It is one step in an ongoing process to explore opportunities such as regional water systems for multiple bands. SaskWater can help build the business case to support these initiatives, providing an option for the bands that want to become involved.

"Lac La Ronge is a good example of regional cooperation," Dean says. "We provide the expertise and build a conveyance method to bring water to the customer. SaskWater is good at what it does. It's a credible organization with professional people. We want to do more to provide clean drinking water and wastewater services that are above standard to more reserves."

Engaging Multiple Jurisdictions

The process of engaging a community and its people is very grassroots, yet it involves complex jurisdictional roles, including federal, provincial, First Nations and sometimes municipal areas of authority. Land use, the environment, employment and the ancillary benefits for a local community all enter into the equation looking at a water supply system or a wastewater system.

Ryan Kay, Assistant Land Manager at Kawacatoose First Nation, and an environmental monitor, says that the Zelma East project has brought employment to 30 people from the Kawacatoose First Nation.

"Consultations are a very big part of the relationship building. It can be a legal issue, a Treaty issue and a First Nations issue. For instance, we need them there when we build a pipeline such as for a potash mine," Bellegarde says.

That is where immediate and direct benefits for the local First Nations often take place.

Keeping an Eye on the Environment

Environmental monitoring is a key activity when SaskWater installs a pipeline. The largest pipeline installation project the corporation has ever undertaken is the 94 km line from the Zelma Reservoir to BHPB's Jansen mine site. It is patrolled daily by environmental monitors. Four of those monitors are from local First Nations.

They were trained through a partnership between SaskWater, SaskPower, SaskEnergy and the First Nations. The three Crown corporations, along with Crown Investments Corporation, First Nations & Metis Relations, and Ministry of Environment contributed to the cost of the training.

Since the start of the initiative in 2010, SaskWater has sponsored eight First Nations individuals to complete the training. Three of the graduates worked as environmental monitors on SaskWater's construction of the non-potable water line from Buffalo Pound Lake to the K+S Potash Canada Legacy mine site.

The four monitors working on the BHPB project are from Fishing Lake and Kawacatoose First Nations. They started their jobs before construction even began. They walked the entire route of the pipeline looking for any environmentally sensitive areas such as wetlands or nesting sites.

Now that construction is underway, their jobs take on added responsibilities. Daily tasks include keeping an eye on the topsoil removal and replacement, checking soil erosion barriers along water bodies, and tracking clean-up activities.

Building Pipelines, Building Futures

The Zelma East project will provide the environmental monitors with employment for almost two years. With other potential industrial projects under consideration in the area, the experience the First Nations monitors are gaining on this project should serve them well into the future.

With each successful project, Dean's message to the bands gets easier to communicate. The First Nations gain experience, and SaskWater's credibility in the community grows. He sees definite progress in engaging more First Nations in Saskatchewan with more opportunities that provide benefits to everyone involved.

Environmental Stewardship

Reducing Greenhouse Gas Emissions – Ahead of Schedule

SaskWater has a greenhouse gas reduction target of 2% per year to reach a 20% reduction from 2006 emissions by the year 2020. It is an intensity based measure to track greenhouse gas emissions by a ratio of greenhouse gas to total sales volume for potable and non-potable water and wastewater. The intensity based target allows SaskWater to continue to grow while contributing to reducing our carbon footprint.

The 2013 greenhouse gas emissions audit shows that we are continually reducing our greenhouse gas to volume ratio and are well ahead of our projected outcome for this time. Since 2006, SaskWater has reduced its emissions ratio by 14%, which is two-thirds of the target for 2020. Electricity is the main source of greenhouse gas emissions for SaskWater, accounting for 83% of the total emissions for the corporation. Electrical efficiencies on the Saskatoon Non-Potable Water Supply System West that were implemented in 2012, primarily improvements in the pump control programming, resulted in savings of approximately 13%. That translates into a $33,000 saving. Similar efficiency changes made to the Saskatoon East Potable system should generate savings of 18% on its electricity costs.

Our greenhouse gas committee is studying the Buffalo Pound–Yara system for efficiencies with the Buffalo Pound–Mosaic system also on the horizon for study. Looking ahead to 2014, the committee will be looking at opportunities for conversion from electricity to natural gas.

Woodlot Effluent Irrigation Site Sees Surprising Growth

The spring of 2013 marked the start of the third irrigation season of SaskWater's effluent irrigated woodlot demonstration project. The objective of this project is to demonstrate a cost effective way to address effluent discharge issues and determine if woodlot effluent irrigation is suitable for a community. The site represents a scalable irrigation system that can be used as a template for full-sized community projects and to develop a commercial business plan.

The growth of the trees was above what we had expected for 2013, a pleasant surprise following a long, difficult winter. Some replanting was required due to winter kill, but once we had the watering schedule established, the site responded positively. The mulch mats and tree guards installed in 2012 prevented further damage from rodents and drastically reduced the amount of weeds around the base of the trees. This undoubtedly contributed to the trees' significant growth this past year.

Our engineers gathered more valuable information about proper irrigation scheduling and what the site was able to handle, practical experience that will inform decisions on live projects in the future.

SaskWater hopes that the woodlot will provide an environment where community leaders and decision makers, school groups, and the general public will be able to visit to get an understanding and appreciation of what is involved in developing a regulated irrigated woodlot. We expect to start bringing people to the site for educational talks and tours in the 2014 growing season.

SaskWater acknowledges the technical expertise we receive for this project from Agroforestry Development Centre, Prairie Adaption Research Collaborative, Saskatchewan Ministry of Agriculture and Landscape Irrigation Solutions Ltd.

Starting a Career at SaskWater

Gary Huang grew up in China and came to Canada in 2010 to study in the Master's Program at the University of Saskatchewan. He had already earned his Bachelor's degree in Mechanical Engineering from East China University of Science and Technology. Gary graduated with his Master's degree in Mechanical Engineering from University of Saskatchewan in 2013 and started his first job with SaskWater as a Senior Technologist and a Gradworks intern in December.

"It is great to start my career with SaskWater. SaskWater provides me a very good environment to utilize my knowledge, develop working skills, and learn from different people." Gary says.

Touring SaskWater's new water treatment plant in the Town of Cupar.

Growing the Business

Jay Rockey, Senior Project Supervisor, at the pump station on the north shore of Buffalo Pound Lake for K+S Potash Canada's Legacy Mine.

Growth is a key factor to SaskWater's long term success. SaskWater is focusing on growth in areas that support both the growing province and the corporation's goal to be financially sustainable. SaskWater is working with several industrial and municipal customers to develop new water infrastructure. This infrastructure will be able to support the needs of these customers now and into the future.

Strategies for Growing the Business

Increase SaskWater's Customer Base
Increase SaskWater's Service Offerings

BHP Billiton Investment in Saskatchewan Gives SaskWater its Big Dig

BHP Billiton (BHPB) announced in August 2013 that it was investing an additional $2.6 billion into their Jansen potash mine project in central Saskatchewan, bringing their total commitment to the project to $3.8 billion. The increased investment enables them to complete the excavation and lining of the mine shafts and continue installing their infrastructure needs, including SaskWater's portion, the water supply system.

SaskWater signed a Water Supply Agreement with BHPB in September 2012, and broke ground on the water supply system in December 2012. Construction of SaskWater's largest financial project ever progressed throughout 2013, with 22 km of 750 mm pipe installed by the end of the year.

The water supply system consists of a pump station/intake at the Zelma Reservoir on the Saskatoon Southeast Water Supply (SSEWS) system, 94 km of pipeline and a booster station. Upgrades to the SSEWS canal are required to maximize canal flow.

Contractors started work on the facility contract at the Zelma Reservoir pump station. This included excavating, shoring and pouring the mud slab and the base slab. By year's end, they had poured the piles at the booster station as well. SaskWater awarded the contract for the 600 mm pipeline installation, and 8 km of pipe was produced. SaskWater also awarded the contract for the design of 129 km of canal upgrades for the SSEWS, and a consultant completed the preliminary design report.

Construction of the water supply system is on schedule to be completed in 2015. The mine is expected to employ approximately 2,600 people during construction. There will be 1,000 operational jobs once the mine has reached full capacity. BHPB estimates a 70 year lifespan for the mine.

Installation of 750 mm pipeline on the Zelma East Project, August 2013.

From Volunteer to Project Administrator

Antony Vinotharajah was a professional engineer in Sri Lanka with 17 years of senior level water resources infrastructural engineering experience when he moved to Canada in 2012 with his wife and son. He joined SaskWater through the Regina Open Door Society as a project engineer on a voluntary basis in May 2013, and moved to a permanent position as a project administrator in June.

He started his career as an irrigation engineer working in water resources management with the Department of Irrigation in Sri Lanka. He became the Deputy Director of Irrigation of Sri Lanka, handling World Bank funded projects in 50 major irrigation systems covering 75,000 hectares of land. Promoted to Project Director-northern province, he managed $100 million worth of World Bank funded public utility and economic infrastructure projects focused on rehabilitating 180 water resources.

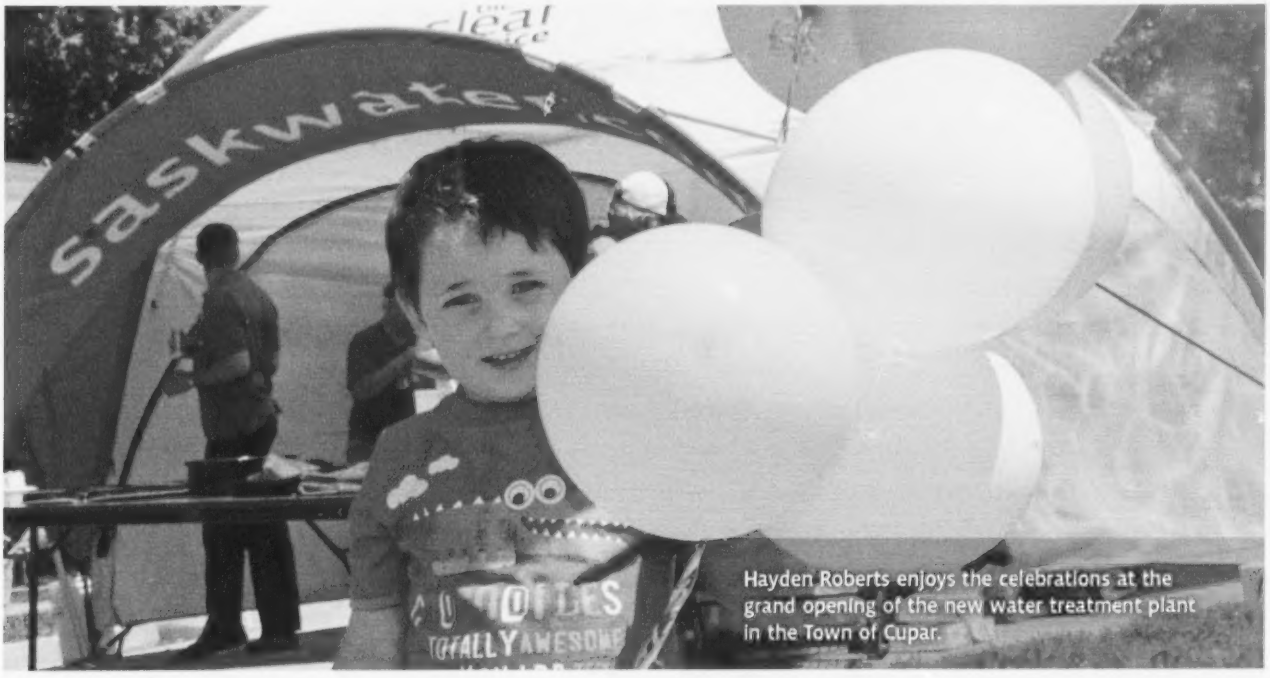
Antony earned a Bachelor's degree in Civil Engineering from University of Moratuwa, Sri Lanka, and a Master's of Science in Hydraulic Engineering from Institute for Infrastructural, Hydraulic, and Environmental Engineering, Delft, the Netherlands. He is a Fellow Member of the Institute of Engineers, Sri Lanka.

A Grand Opening in Cupar

SaskWater officially opened a new water treatment plant in the Town of Cupar on June 21, 2013. For the grand opening ceremony, residents of Cupar gathered at the new facility along with SaskWater employees and representatives from all three levels of government to celebrate the project's completion.

Regina-Qu'Appelle Member of Parliament Andrew Scheer, Minister Responsible for SaskWater Ken Cheveldayoff, Last Mountain–Touchwood MLA and Cupar resident Glen Hart – on behalf of Saskatchewan Government Relations Minister Jim Reiter – and Cupar Mayor Len Kallichuk were all on hand to speak at the event.

The new reverse-osmosis water treatment plant includes a demineralization system and provides the community with higher quality drinking water that exceeds provincial drinking water quality standards. The project also saw upgrades and improvements to the raw water system, site grading, road improvements, and a lagoon expansion.



Hayden Roberts enjoys the celebrations at the grand opening of the new water treatment plant in the Town of Cupar.

Funding for the approximately $7 million project was a collaborative effort between SaskWater and all three levels of government. Through the Canada-Saskatchewan Building Canada Fund – Communities Component, the Governments of Canada and Saskatchewan contributed $1.714 million each for a total of $3.428 million. The Town of Cupar contributed more than $550,000, including more than $61,000 through the provincial Municipal Economic Enhancement Program and almost $230,000 through the federal Gas Tax Fund.

The water treatment plant is owned and operated by SaskWater, which invested approximately $3 million in the project. In addition to the certified operators who manage the plant, SaskWater has installed a new SCADA system, which provides 24/7 remote monitoring of key points in the water supply and treatment system, giving residents even greater security in the safety of their water.

As part of the grand opening in June, Cupar residents stopped by to enjoy tours of the facility and a barbeque outside our SaskWater tent. Many residents were eager to share stories of how much their water has improved. The new plant will have adequate capacity to support Cupar for the next 25 years.

Helping Communities Grow

SaskWater continued to invest in opportunities to expand service to municipal customers in 2013, helping address the infrastructure requirements in the province. This fits closely with the *Saskatchewan Growth Plan* which identifies a series of goals and objectives to address the needs and challenges related to provincial growth. In the *Growth Plan*, the province indicated that it will invest upward of $2.5 billion in infrastructure. SaskWater has been tasked with the development of regional infrastructure to support industrial growth and municipal growth. This expectation has also been set out in the *25 Year Saskatchewan Water Security Plan*.

SaskWater's water treatment plant and potable water storage facilities for the Town of White City must be expanded to meet capacity demands. White City has been experiencing significant growth, and water consumption in this community rose 77% between 2005 and 2012. It continues to grow rapidly, with estimates of approximately 7% per year over the next several years. SaskWater has developed a capital upgrade plan to meet the community's needs.

Daryl Bunnell, Senior Project Engineer, Construction and Maintenance Engineering, and Steve Benson, Senior Technologist, Special Projects, Moose Jaw.

SaskWater and the Town of White City signed a water supply agreement in June 2013. Work begun in 2013 included filter upgrades at the water treatment plant to increase potable water capacity, twinning a portion of the non-potable pipeline to the treatment plant and rehabilitating the existing water supply wells. The first phase of this project is expected to be complete in fall 2014.

In 2013, SaskWater completed the installation of a new pipeline to increase the supply of potable water to the City of Warman. The pipeline will help meet the future water supply needs of this growing community.

At the request of the cities of Warman and Martensville, SaskWater created a proposal for the potential development of a regional wastewater system to service the growing needs of their communities. The regional system would require a mechanical process as opposed to lagoon treatment due to the area's expected growth over the next 20 years. A regional system in this area would be more cost effective and environmentally friendly than supporting individual facilities for these communities. The communities are continuing to evaluate their options.

Planning for Expansion in the Belle Plaine Industrial Corridor

The most significant portion of our water delivery is to the potash industry, and this is expected to continue for some time. In anticipation of commercial and industrial growth in the Belle Plaine Industrial Corridor, we are developing plans for a system to supply non-potable water to customers in this area and beyond to as far as Kronau.

Gary Sears, Senior Project Supervisor, Major Projects, Kylee Lundberg, Manager, Health, Safety & Environment, and Tim Jansen, Manager, Major Projects, in the field.

Throughout 2013, SaskWater's Major Projects Unit has been working on the development of the proposed Buffalo Pound Non-potable Water Supply System – East Regional Expansion Project. We have completed the preliminary engineering design and the Environmental Impact Assessment.

The proposed project includes three components: an intake and pump station on the southeast shore of Buffalo Pound Lake located within Buffalo Pound Provincial Park; a pipeline from Buffalo Pound Lake through the Belle Plaine Industrial Corridor to an end delivery point near Kronau; and, a booster pump station located along the pipeline at the Belle Plaine Industrial Corridor.

SaskWater's existing infrastructure that supplies non-potable water from Buffalo Pound Lake to the Belle Plaine Industrial Corridor is fully allocated to existing customers. The proposed regional project is intended to be scalable and expandable to meet current water demands while allowing SaskWater to respond quickly to future demands for water in the region without adding significant construction or cost.

Subject to customer commitment for funding and the appropriate regulatory approvals, SaskWater is proposing construction will begin in late 2014 and go through to 2016.

Succeeding Financially

Antony Vinotharajah, Project Administrator, Troy Price, Senior Rate Analyst, and Marie Alexander, Vice President, Business Development & Corporate Services, Moose Jaw.

SaskWater's goal is to become financially sustainable and increase corporate equity on an annual basis. To achieve this, SaskWater has been focusing on improving revenues annually by implementing new efficiency programs and ensuring that customer's rates are aligned with the cost to provide service.

Strategies for Succeeding Financially

Increase Revenue
Increase Efficiency and Effectiveness

2013 Highlights and Results

Net Income

SaskWater recorded its best ever operating results in 2013, generating a surplus of $3.5 million.

Water Volumes

- Total water sales volumes decreased by 1.5% to 40.1 million cubic metres in 2013, down from 40.7 million cubic metres in 2012. Non-potable water volumes represent the majority of water distributed by SaskWater, and they were down 3.8% overall. This was somewhat offset by growth in potable water volumes of 10.8%.

Operating Revenues

Operating revenues increased by $500,000 or 1.1% to $42.3 million, up from $41.8 million in 2012.

- Water sales and treatment revenue increased $3.2 million from 2012. Water sales and treatment include:
  - potable water supply
  - non-potable water supply, and
  - wastewater treatment

Potable water supply revenue increased by $2.2 million over 2012 to $15.4 million in 2013.

Non-potable water supply revenue increased by $1.0 million over 2012 to $16.3 million in 2013. This mainly relates to contracted minimum payment requirements as actual volumes are down from 2012.

Wastewater treatment revenue increased marginally, up $2,000 from 2012 to $580,000 in 2013.

- Services revenue decreased by $4.3 million from 2012. Services include:
  - project management
  - program and project management for the northern water and sewer program funded by the Ministry of Government Relations
  - First Nations operator training and technical support, and
  - leak detection services

Project management contracts account for a decrease of $4.3 million. This line of business provides services on an as-needed basis, and in 2012 and 2013, primarily provided services to potential potash mine developers. As certain projects have passed from investigation and design phases into construction phases, project management revenue has dropped in 2013 as compared to 2012. Certified operations and maintenance revenues increased $144,000 to $1,452,000 in 2013 from $1,308,000 in 2012. The Northern Project Management and Leak Detection lines of business declined slightly in 2013. The First Nations Operator Training and Technical Support line of business had a decrease of $117,000 due to a reduction in the service contract for this client.

- Other revenue increased by $1.5 million and primarily consists of amortization of contributions on newly operational capital projects.

Operating Expenses

Total operating expenses decreased by $700,000 or by 1.9% to $36.2 million from $36.9 million in 2012.

- Salaries and benefits have increased $800,000 over 2012 and are mainly attributable to higher staffing levels in order to serve new customers in both the non-potable and certified operation and maintenance lines of business.
- Operations, maintenance and overhead expenses have decreased $3.8 million from 2012. This is related almost entirely to the decreased activity in project management.
- Additional amortization of property, plant and equipment costs year over year of $1.2 million represent additions to the asset base during 2013 as some projects that were previously in progress have been completed and are now in service. Offsetting this increase was $1.3 million of additional amortized income from customer contributions related to the new in-service assets.
- SaskWater purchases and resells potable water produced by other suppliers. Increased volumes as well as pricing increases from these suppliers have resulted in an increase of $1.1 million as compared to 2012.
- SaskWater pays Corporate Capital Tax to the Province of Saskatchewan based on the level of paid-up capital it has at the end of a fiscal year. The difference between years is primarily related to adjustment between assessed amount and previously estimated amount.
- Net finance expense is up $678,000 over 2012. The increase is largely due to unrealized losses on debt retirement funds which are valued at market prices on the reporting date. In 2013, a loss of $1,047,000 was recorded, versus $333,000 in 2012, for a net difference of $714,000.

Capital Investment

In 2013, $36.1 million was spent on capital projects including new construction and expansion, existing infrastructure refurbishment and asset management programs. SaskWater invested $5.2 million from its own source funds and the remainder was received from customers as contributions in aid of capital. Significant projects include:

- Design and construction of the Zelma East Non-Potable Water Supply System to supply water for the BHP Billiton Jansen potash mine
- Design and construction of the Regina Non-Potable Water Supply System – East – Pipeline Twinning to provide increased flow capacity into the White City Water Treatment Plant
- Design of the White City Potable Water Supply System – White City Water Treatment Plant Reservoir Expansion to increase potable water storage and treatment capacity to accommodate growth in White City, and,
- Design and construction of structure replacements in the Saskatoon Southeast Water Supply system as part of SaskWater's ongoing asset management program

Key Performance Factors

- Approximately 80% of water volume sales and 38.5% of total revenue are derived from the sale of non-potable water to industrial customers for use in their processes. Changes in their production cycles, due to market factors, affect SaskWater's sales.
- Weather affects sales to municipal customers. Drought conditions increase sales while cool, wet weather reduces sales.

Key Financial Data

- Assets total $223.9 million (2012 – $186.4 million)
- Return on equity (net income as a percentage of equity) is 8.0%
- Debt ratio (debt as a percentage of debt plus equity) is 52.9%
- SaskWater did not declare a dividend to CIC in 2013

2014 Outlook

- SaskWater expects total revenues from all lines of business to increase by $1.0 million to $43.3 million (2.4%) as a result of continued growth from municipal potable customers as well as increased industrial water usage.
- The corporation expects to report net income of $3.7 million in 2014.
- SaskWater expects to invest up to $14.2 million net ($118.7 million in total, with $104 million coming from customers as contributions in aid of capital) in water and wastewater infrastructure projects in the province. Investments include:
  - SSEWS Structure Replacements
  - SSEWS Zelma East (BHPB) Pump Station, Booster Station and Pipeline
  - SSEWS Canal Improvements
  - White City Potable Water Treatment Plant Reservoir Growth and Capacity Upgrade
  - Proposed Buffalo Pound Non-Potable Water Supply System – East Regional – Pump Station and Pipeline
  - Proposed Buffalo Pound Non-Potable Water Supply System – East – Booster Station and Pipeline
  - Saskatoon Potable Water Supply System – East – Steel Pipe Replacement
  - Echo Regional Wastewater System cell growth
  - General Asset Management Projects

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards (IFRS). The President/CEO along with the CFO have certified that SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013 and December 31, 2012 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Future Accounting Changes

The following standards and amendments to standards have been issued but are not effective for the year ended December 31, 2013:

- IAS 32 Financial Instruments: presentation, effective January 1, 2014
- IFRS 9 Financial Instruments, effective date unknown

The extent of the impact of these new standards and amendments to standards is not known at this time. The International Accounting Standards Board has deferred finalization of IFRS 9 indefinitely, and therefore, the effective date is unknown.

Risk Management

There are several different risks that can affect the achievement of SaskWater's strategic goals and business objectives. In 2013, SaskWater implemented its Enterprise Risk Management Program (ERM) to manage its risks better. The ERM Policy establishes the roles and responsibilities of individuals throughout the organization and a general strategy to manage risks. Existing and emerging risks have been identified and integrated into the corporation's strategic, business and performance management processes. The Board and management have considered the identified risks and their mitigation strategies as part of their annual review.

The following discussion outlines the major risks identified and the strategies to deal with them.

Contamination of Potable Water Supplies

Water is a fundamental requirement for life and contamination poses a high inherent risk to the public's health. Contamination of water supplies could result in multiple health related issues, severe illness and in the worst case scenario cause death.

Consequently, water is a highly regulated resource and requires urgent responses to any issue. If a contamination were to occur, services might be suspended or reduced until such time that the contamination was cleared.

SaskWater's operations are regulated with stringent water treatment standards and controls covering quality of treated water, the number, frequency and form of water quality testing, and mandatory improvement to the water treatment processes if required. SaskWater's goal is to meet or exceed the regulatory requirements for treatment on all of its potable water supply systems to ensure the health and safety of customers.

Other mitigation strategies include:

- A Corporate Water Quality Policy is in place, whereby the corporation is required to meet or exceed provincial water quality regulations at its owned water treatment and supply facilities and COM sites
- Extensive water quality testing and reporting
- Ensuring system operators meet or exceed the regulatory requirements for education and training
- Working closely with the regulatory agencies regarding SaskWater's water works infrastructure and participating in consultations with respect to potential regulatory changes
- A remote monitoring system that is operated 24 hours a day, 365 days a year, to augment manual operations and to provide instant alarms in case of problems
- Having customer notification procedures in place to notify customers about Precautionary Drinking Water Advisories or emergency boil water orders
- Researching, testing and implementing new technologies and techniques to improve the quality of source and drinking water
- Day to day management oversight of facilities; and
- Having Quality Assurance and Quality Control and Emergency Response Plans in place

Quality assurance (QA) and quality control (QC) measures describe activities that ensure compliance with policy and ensure that the water is safe for public consumption. Quality assurance refers to the management system, including the organization, planning, data collection, quality control, documentation, evaluation and reporting activities. Quality control refers to the routine technical activities that ensure accurate and reliable results. QA and QC help produce data of known quality, enhance the credibility of the organization reporting monitoring results, and provide a high level of confidence to the regulators and consumers that the treatment systems are in place to produce high quality drinking water.

Financial Dependence on Industrial Customers

Throughout its history, SaskWater has striven to support a growing Saskatchewan economy, with particular emphasis on large industrial projects. However, this has resulted in the corporation having a significant dependence on a small number of industrial customers, leaving SaskWater vulnerable to industrial market swings. SaskWater's revenues are susceptible to fluctuations in volume usage, particularly during times of periodic shutdowns from these customers, due to the nature of SaskWater's volume-based rates. SaskWater uses a number of strategies to mitigate this risk including:

- An annual review of corporate service rates using an industry standard cost of service methodology
- Minimum purchase requirements in contracts are applied to offset the effect of volatility in service needs
- A corporate culture reinforcing a need for cost efficient operations and
- Business development activities focusing on expanding the customer base in other areas with an emphasis on leveraging existing regional water supply systems

Attraction and Retention of Experienced Employees

The provision of water services requires a highly trained and committed workforce with a wide range of skills. The success of the corporation depends on the individual and collective contributions of its employees. However, the loss of the services of any experienced employee or the inability to hire and retain experienced employees could harm the business, financial condition and the results of the operation of the company.

The growing Saskatchewan economy has resulted in a competitive market which has increased the pressures of retention and recruitment of staff. For example, provincially, there is a shortage of qualified operators as the number of new students entering the operator program is significantly smaller than the number of individuals retiring. The other challenge is finding staff with the required experience, regardless of job position. Attracting staff to rural areas, including Moose Jaw, also presents a challenge as many prefer to pursue job opportunities in the larger centres of Saskatoon and Regina.

SaskWater manages this risk by:

- Promoting its commitment to train staff
- Recruiting youth through the Co-op student and Gradworks programs
- Maintaining a competitive remuneration package
- Having a commitment to a safe work environment
- Implementing employee performance management systems designed to link corporate objectives with individual work plans and to provide constructive feedback on performance and
- Implementing succession planning, including cross training opportunities for staff

Service Interruptions and Failures

Water and wastewater works are subject to a variety of service interruptions, such as from asset failures, which could impact customer satisfaction and the corporation's reputation and financial position. SaskWater has systems and assets including, but not limited to: water and wastewater treatment facilities and/or equipment, pipelines, pump stations, and booster stations. Some of these assets may require replacement due to their age and/or condition. Aging assets are expensive to maintain, operate and replace and have the potential to result in service interruptions if not maintained properly.

SaskWater's water and wastewater works are also subject to other operational risks such as mechanical failure, accidents, storms, power failure, and other *force majeure* events. Any of these situations will result in service interruptions.

Service interruptions can have an impact on both SaskWater and its customers. Customers run the risk of having no water for consumption or production purposes. Where there are extended service interruptions, customer satisfaction will be significantly impacted. With any service interruption, SaskWater runs the risk of losses to revenue, and where asset failures occur, repair costs could be substantial.

SaskWater has strategies in place to mitigate these risks including:

- Capital spending has increased on asset refurbishment for all of SaskWater's systems, particularly for those systems that require critical asset upgrades
- Emergency response plans are in place for individual facilities
- Vulnerability assessments have been completed, including site security
- Contact procedures are in place to notify customers in cases of service interruptions
- Remote monitoring is in place 24 hours a day, 365 days a year, to provide instant alarms in case of problems
- Systems have been designed with some redundancy to minimize down time
- System audits are conducted every five years by third parties to identify potential issues
- Customers are encouraged to have water storage reserves to meet their needs in cases of service interruptions. In extreme circumstances, water may be hauled from other locations
- Property insurance is carried separately for each of SaskWater's assets. Properties are covered to original purchase price plus annual inflation; and
- SaskWater carries liability insurance

Secure Water Supplies

The availability of a secure supply of quality source water can impact service delivery to customers. Issues that may arise as a result of the supply of source water may require infrastructure upgrades and/or an alternate supply of water.

A secure supply of water can be impacted by contamination of source water, climate change, weather conditions, competing uses resulting in decreased availability and/or restrictions on water use by the regulator.

Fluctuations in source water quality or contamination of supplies may impact service delivery and may require costly infrastructure upgrades and/or an alternate supply of water. Contamination to source water can impact the treatment process required for potable water. Sources of contamination can occur from naturally occurring compounds, chemicals in groundwater systems and pollution from man-made sources. Contamination of source water can be the result of one incident or due to long-term exposure that can degrade the quality of water over time. Treatment processes and/or capital may need to be upgraded to handle the change in the quality of source water, thereby increasing the cost of treating it to ensure it meets regulatory standards.

While the impact of climate change is not known, the province does experience cycles of wet and dry years. Drought is inevitable and there will be pressure to meet increased customer demands and to encourage customers to reduce their consumption to ensure sustainability of watersheds. During wet years, flooding can impact infrastructure required to supply customers.

The quality of source water can also fluctuate due to weather related events. Variability in precipitation can impact the quality of water at various treatment plant locations and the related cost of treating that water.

Availability of water supplies due to water restrictions by the regulator as a result of climate conditions, competing uses and/or economic conditions could affect access to sources of water. This will affect the demand for services and/or the ability to supply to existing and future customers.

SaskWater has several mitigation measures in place including:

- Monitoring of source water quality
- Designing systems to take into account changing water quality
- Reviewing long-term flow/availability projections
- Providing conservation tips to customers
- Implementing the *Value of Water* campaign and
- Working with the regulator regarding water availability

Key Financial Data

Years	Operating Income (Loss)	Revenue	Total Assets	Return on Average Equity	Debt Ratio
2013 IFRS	$ 3.5M	$ 42.3M	$ 223.9M	8.0%	52.9%
2012 IFRS	$ 3.0M	$ 41.8M	$ 186.4M	7.5%	53.9%
2011 IFRS	$ 3.5M	$ 34.2M	$ 179.3M	9.4%	57.6%
2010 IFRS	$ 0.4M	$ 24.6M	$ 153.8M	1.3%	58.5%
2009 GAAP	$ 0.5M	$ 20.8M	$ 95.0M	1.4%	58.3%

Key Operational Data

Years	Total Customer Accounts	Total Sales Volumes (cubic metres)	Kilometres of Potable and Non-Potable Pipeline	Full Time Equivalent Employees
2013	406	40.1M	876	111.9
2012	402	40.7M	862	105.4
2011	395	35.2M	860	101.0
2010	373	20.7M	850	95.2
2009	371	19.2M	822	90.0

Management's Report on Internal Control over Financial Reporting

I, Doug Matthies, the President and Chief Executive Officer of SaskWater, and I, Marie Alexander, Vice President, Business Development and Corporate Services and Chief Financial Officer of SaskWater, certify the following:

a. That we have reviewed the financial statements included in the Annual Report of SaskWater. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2013.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskWater do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskWater is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskWater has designed internal controls over financial reporting that are appropriate to the circumstances of SaskWater.

d. That SaskWater conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskWater can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

On behalf of management,

Doug Matthies
President and CEO
February 26, 2014

Marie Alexander
Vice President, Business Development and Corporate Services, and CFO

Management's Responsibility

Management has prepared the financial statements of the Corporation in accordance with International Financial Reporting Standards. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Deloitte LLP, the Corporation's external auditors, have examined the December 31, 2013 financial statements and their report follows. The Board of Directors of SaskWater has examined and approved the statements.

On behalf of the Corporation,

Doug Matthies, President
February 26, 2014

Independent Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the accompanying financial statements of Saskatchewan Water Corporation, which comprise the statement of financial position as at December 31, 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatchewan Water Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Accountants

February 26, 2014
Regina, Saskatchewan

Statement of Financial Position

as at

(thousands of dollars)

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash (note 6)	$ 4,232	$ 8,251
Trade and other receivables (note 7)	21,268	9,660
Prepaid expenses and inventories	855	463
	26,355	18,374
Investment – debt retirement funds (note 8)	12,504	10,450
Property, plant and equipment (note 9)	185,088	157,569
	$ 223,947	**$ 186,393**
Liabilities and Province's Equity		
Current liabilities		
Trade and other payables (note 10)	$ 13,816	$ 7,931
Notes payable (note 11)	25,241	16,161
Infrastructure deposits (note 12)	2,887	5,966
Current portion of deferred revenue (note 12)	3,139	3,432
Current portion of provisions (note 13)	124	128
Current portion of long-term debt (note 14)	–	5,000
	45,207	38,618
Deferred revenue (note 12)	92,348	64,415
Provisions (note 13)	1,532	2,026
Long-term debt (note 14)	38,700	38,700
Employee benefits (note 15)	426	418
	178,213	144,177
Province's equity		
Equity advance (note 16)	8,700	8,700
Retained earnings	37,034	33,516
	45,734	42,216
	$ 223,947	**$ 186,393**

Commitments and Contingencies (note 18)

See accompanying notes

on behalf of the Board: _____ Chair _____ Director

Statement of Comprehensive Income

for the year ended December 31

(thousands of dollars)

	2013	2012
Revenue (note 4)		
Water sales and treatment	$ 32,249	$ 29,025
Services	6,095	10,391
Other	3,927	2,396
	42,271	41,812
Expenses		
Salaries and benefits	10,932	10,068
Operations, maintenance and administration	10,516	14,313
Depreciation of property, plant and equipment	8,372	7,158
Bulk water purchases	5,790	4,690
Saskatchewan taxes	644	674
	36,254	36,903
Net income before the following	**6,017**	**4,909**
Finance income	637	627
Finance expense	(3,154)	(2,466)
Net finance expense (note 5)	**(2,517)**	**(1,839)**
Net income	**3,500**	**3,070**
Other comprehensive income (loss)	18	(21)
Total comprehensive income	**$ 3,518**	**$ 3,049**

See accompanying notes

Statement of Changes in Equity

for the years ended

(thousands of dollars)

	Retained Earnings	Equity Advances	Total
Province's equity			
Balance, December 31, 2011	$ 30,467	$ 8,700	$ 39,167
Total comprehensive income	3,049	–	3,049
Balance, December 31, 2012	33,516	8,700	42,216
Total comprehensive income	3,518	–	3,518
Balance, December 31, 2013	$ 37,034	$ 8,700	$ 45,734

See accompanying notes

Statement of Cash Flows

for the year ended December 31

(thousands of dollars)

	2013	2012
Operating activities		
Net income	$ 3,500	$ 3,070
Items not affecting cash from operations:		
Depreciation of property, plant and equipment	8,372	7,158
Impairment of assets	77	–
Amortization of deferred revenue	(3,467)	(2,149)
Amortization of provisions – onerous contracts	(642)	(175)
Employee benefits	26	9
Net financing expense	2,517	1,839
Loss on disposal of property, plant and equipment	(40)	82
Change in non-cash working capital items:		
Trade and other receivables	(11,608)	2,977
Prepaid expenses and inventories	(392)	(67)
Trade and other payables	5,901	(13)
Infrastructure deposits	(3,079)	(13,165)
Deferred revenue	31,107	20,418
Interest paid	(2,014)	(2,041)
Interest received	37	25
Cash provided by operating activities	30,295	17,968
Investing activities		
Property, plant and equipment expenditures	(36,105)	(25,961)
Proceeds on disposal of property, plant and equipment	212	158
Cash used in investing activities	(35,893)	(25,803)
Financing activities		
Proceeds from (Repayments of) notes payable	9,080	(1,048)
Repayment of long-term debt	(5,000)	–
Debt retirement fund installments	(2,501)	(2,533)
Cash provided by financing activities	1,579	(3,581)
Change in cash	(4,019)	(11,416)
Cash, beginning of year	8,251	19,667
Cash, end of year	$ 4,232	$ 8,251

See accompanying notes

Notes to the Financial Statements

December 31, 2013

1. General information

The Saskatchewan Water Corporation (the Corporation) is a corporation located in Canada. The address of the Corporation's registered office and principal place of business is 200-111 Fairford Street East, Moose Jaw, SK, S6H 1C8.

The Corporation was established on July 1, 1984 under the authority of *The Water Corporation Act* which remained in effect until September 30, 2002. On October 1, 2002 *The Saskatchewan Water Corporation Act* was proclaimed.

By virtue of *The Crown Corporations Act, 1993*, the Corporation has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC). Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC, a Provincial Crown corporation. As the Corporation is a Provincial Crown corporation, it is not subject to Federal or Provincial income taxes in Canada, but is subject to Provincial corporate capital tax.

The principal activity of the Corporation is to construct, acquire, manage or operate water facilities and to provide services in accordance with any agreements that it enters into pursuant to *The Saskatchewan Water Corporation Act*.

2. Basis of preparation

Statement of compliance

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Board of Directors on February 26, 2014.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments that are accounted for according to the financial instrument categories defined in Note 3(m).
- Provisions defined in Note 3(e).
- Employee benefit obligations defined in Note 3(i).

Functional and presentation currency

These financial statements are presented in Canadian Dollars, which is the Corporation's functional currency.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the accounting policy in Note 3, and the following notes:

- Note 9 – depreciation of property, plant and equipment
- Note 12 – deferred revenue and infrastructure deposits
- Note 13 – provisions
- Note 15 – measurement of employee benefits
- Note 18 – commitments and contingencies

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Inventories

Maintenance materials and treatment supplies inventory are recorded at the lower of weighted average cost and net realizable value. The net realizable value of inventory is the estimated market price for the same or similar items. Materials and supplies are charged to inventory when purchased and then expensed or capitalized when used.

b) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for those projects that are under construction for a period greater than six months. Assets under construction are recorded as in progress until they are available for use, at which time they are transferred to property, plant and equipment.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization are determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in net income as incurred.

When property, plant and equipment is disposed of or retired, the related cost, accumulated depreciation and any accumulated impairment losses are eliminated. Any resulting gains or losses are reflected in net income for the period.

c) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in net income on a straight-line or diminishing balance basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

3. Significant accounting policies – continued

c) Depreciation – continued

The depreciation rates used for asset classes are as follows:

Property, plant and equipment	Method	Rate
Building	straight-line	2.5% to 5%
Water facilities	diminishing balance or straight-line, as appropriate	2% to 30%
Maintenance equipment and office equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Depreciation methods, estimated useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

d) Impairment

i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Corporation on terms that the Corporation would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

The Corporation considers evidence of impairment for receivables at a specific asset level. All individual receivables are assessed for specific impairment.

In assessing the individual impairments, the Corporation takes into account information related to each individual customer's current receivable position and any other factors related to the customer that are known to allow management to make estimates as to the collectability of each specific receivable.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net income and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through net income.

3. Significant accounting policies – continued

d) Impairment – continued

ii) Non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU").

The Corporation's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. Where a reasonable and consistent basis can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Provisions

A provision is recognized if, as a result of a past event, the Corporation has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expense. Currently the only provision recognized relates to onerous contracts.

f) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Corporation from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Corporation recognizes any impairment loss on the assets associated with that contract.

3. Significant accounting policies – continued

g) Government grants

Government grants are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and the Corporation will comply with the conditions associated with the grant. Grants that compensate the Corporation for expenses incurred are recognized in net income on a systematic basis in the same periods in which the expenses are recognized. Grants that compensate the Corporation for the cost of an asset are recognized in net income on a systematic basis over the useful life of the asset.

h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided, net of discounts and sales taxes. Revenue from the rendering of services is recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured.

Customer contributions are received from customers, generally in the form of cash, to assist in the construction of assets to provide services to the contributing customers. Prior to the commencement of construction, these amounts are recorded as infrastructure deposits. As construction occurs, these amounts are transferred to deferred revenue.

When completion of the construction is determined to be a separately identifiable service, these amounts are recognized directly into net income. When completion of construction is not determined to be separate from the ongoing supply or services, these amounts are transferred to deferred revenue and recognized in net income over the term of the contract with the customer. If the contract does not specify a period or evergreens, the revenue shall be recognized over a period no longer than the useful life of the related assets used to provide the ongoing service.

i) Employee benefits

i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus if the Corporation has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Corporation pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in net income in the periods during which services are rendered by employees.

iii) Defined benefit retirement allowance plan

The Corporation's obligation is the amount of future benefit that employees have earned in return for their service in the current and prior periods. At each year-end, the future benefit is actuarially determined using the projected benefit method. Any actuarial gains or losses are recognized in other comprehensive income (loss) and the Corporation will transfer any actuarial gains or losses from other equity to retained earnings in the year it is recognized in other comprehensive income (loss).

3. Significant accounting policies – continued

j) Lease payments

Payments made under operating leases are expensed on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

k) Finance income and expense

Finance income comprises interest income on funds invested and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in net income, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net income using the effective interest method.

l) Equity advance

The Corporation periodically receives funding from its parent and sole equity holder, Crown Investments Corporation of Saskatchewan. Funding is first analyzed to determine whether the funding is a transaction with the equity holder in their capacity as an equity holder, i.e. equity injection, or whether the funding would be available to other parties for a specific purpose. If there is no requirement to comply with certain conditions relating to the operating activities of the Corporation, the funding is recorded as an equity advance. If the Corporation must comply with certain past or future conditions relating to the operating activities of the Corporation, and the funding could be available to other parties for a specific purpose, the funding is recorded as a government grant (see Note 3(g)).

m) Financial Instruments

i) Non-derivative financial assets

The Corporation initially recognizes loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Corporation manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Corporation's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in net income as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in net income. The Corporation has classified debt retirement funds as financial assets at fair value through profit or loss.

3. Significant accounting policies – continued

m) Financial Instruments – continued

i) Non-derivative financial assets – continued

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

Cash

Cash includes short-term investments with original maturities of three months or less. Bank indebtedness, when incurred, forms a part of the Corporation's cash management and is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

The Corporation does not have any assets classified as held-for-trading or held-to-maturity.

ii) Non-derivative financial liabilities

The Corporation initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Other liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation does not have any financial liabilities classified as fair value through profit or loss.

n) New standards and interpretations that came into effect during the year (Thousands)

Effective January 1, 2013 the Corporation adopted amendments to IAS 19 Employee Benefits in accordance with the transitional provisions of the standard. The amendments, which impact the Corporation's defined benefit retiring allowance plan, require the Corporation to recognize actuarial gains and losses immediately in other comprehensive income (loss) and all current service costs and interest expense immediately in net income. The Corporation will transfer any actuarial gains or losses from other equity to retained earnings in the year it is recognized in other comprehensive income (loss). Prior to the amendments, the Corporation recognized actuarial gains and losses, current service costs and interest expense immediately in net income.

The Corporation has restated its net income for the year ended December 31, 2012 to remove a $21 actuarial loss from salaries and benefits that is recognized in other comprehensive income (loss) and subsequently transferred directly to retained earnings.

In addition to IAS 19, the Corporation adopted the following other new and amended IFRS effective January 1, 2013:

IFRS 7 Financial Instruments: Disclosures
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 Consolidated and Separate Financial Statements
IAS 28 Investments in Associates

3. Significant accounting policies – continued

n) New standards and interpretations that came into effect during the year (Thousands) – continued

The adoption of these standards has no material impact on the Corporation's financial statements. Any new disclosure requirements are included in the Corporation's financial statements for the year ended December 31, 2013.

o) New standards and interpretations not yet adopted

The following standards and amendments to standards have been issued but are not effective for the year ended December 31, 2013:

Standards or amendments to standards	Effective Date
IAS 32 Financial Instruments: presentation	January 1, 2014
IFRS 9 Financial Instruments	Unknown

The extent of the impact of these new standards and amendments to standards is not known at this time. The International Accounting Standards Board has deferred finalization of IFRS 9 indefinitely, and therefore, the effective date is unknown.

4. Revenue

	December 31, 2013	December 31, 2012
	(Thousands)	
Water sales and treatment		
Potable water supply	$ 15,410	$ 13,229
Non-Potable water supply	16,259	15,218
Wastewater treatment	580	578
	32,249	29,025
Services		
Certified operations & maintenance	1,452	1,308
Project management	3,375	7,668
Northern project management	494	518
Operator training	773	890
Leak detection	1	7
	6,095	10,391
Other		
Amortization of customer contributions	3,237	1,908
Amortization of government grants – capital related	230	231
Miscellaneous revenue	460	257
	3,927	2,396
	$ 42,271	$ 41,812

5. Finance income and expenses

	December 31, 2013	December 31, 2012
	(Thousands)	
Finance income		
Debt retirement fund earnings	$ 600	$ 536
Positive changes in fair value of debt retirement funds		66
Other finance income	37	25
	637	627
Finance expenses		
Interest expense on short-term debt	172	201
Interest expense on long-term debt	1,817	1,833
Negative changes in fair value of debt retirement funds	1,047	333
Unwinding of discount on provisions	144	147
Other interest expense	9	6
Borrowing costs capitalized to qualifying assets	(35)	(54)
	3,154	2,466
Net finance expense	$ (2,517)	$ (1,839)
Interest capitalization rate	0.10%	0.30%

6. Cash

Cash consists of cash available for current purposes and restricted use cash. Restricted use cash is only available for a specific capital project as it relates to an infrastructure deposit agreement and will be drawn upon as actual expenses are incurred.

	December 31, 2013	December 31, 2012
	(Thousands)	
Cash available for current purposes	$ 1,307	$ 294
Restricted use cash	2,925	7,957
	$ 4,232	$ 8,251

7. Trade and other receivables

	December 31, 2013	December 31, 2012
	(Thousands)	
Trade receivables	$ 16,506	$ 7,832
Accrued receivables	4,830	1,895
Other receivables	12	19
	21,348	9,746
Allowance for doubtful accounts	(80)	(86)
	$ 21,268	$ 9,660

The Corporation's exposure to credit risks and impairment losses related to trade and other receivables is disclosed in Note 20.

8. Investment – debt retirement funds

Under conditions attached to the Canada Pension Plan Investment Board long-term debt issues from the Province of Saskatchewan's General Revenue Fund (GRF), the Corporation is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. The investments, referred to as debt retirement funds, are administered by Saskatchewan's Ministry of Finance. The investments in debt retirement funds are held by the Province of Saskatchewan. The yield on the investments was 3.8% for 2013 (2.9% for 2012). The changes in the carrying amount of debt retirement funds are as follows:

	December 31, 2013	December 31, 2012
	(Thousands)	
Debt retirement funds, beginning of year	$ 10,450	$ 7,648
Installments	2,501	2,533
Earnings	600	536
Change in fair value of debt retirement funds	(1,047)	(267)
Debt retirement funds, end of year	$ 12,504	$ 10,450

Debt retirement fund installments due in each of the next five years are as follows:

	(Thousands)
2014	$ 387
2015	363
2016	339
2017	313
2018	263
	$ 1,665

9. Property, plant and equipment

	Buildings	Water Facilities	Maintenance & Office Equipment	Assets under Construction	Land	Total
			(Thousands)			
Cost						
Balance at December 31, 2011	**$ 2,522**	**$ 167,701**	**$ 3,849**	**$ 29,401**	**$ 1,606**	**$ 205,079**
Additions	–	145	579	25,294	–	26,018
Transfers	–	42,663	78	(42,869)	128	–
Disposals	–	(376)	(143)	–	–	(519)
Balance at December 31, 2012	**$ 2,522**	**$ 210,133**	**$ 4,363**	**$ 11,826**	**$ 1,734**	**$ 230,578**
Additions	190	87	718	35,145	–	36,140
Transfers	–	4,224	–	(4,224)	–	–
Disposals	–	(160)	(286)	–	–	(446)
Balance at December 31, 2013	**$ 2,712**	**$ 214,284**	**$ 4,795**	**$ 42,747**	**$ 1,734**	**$ 266,272**
Depreciation and impairment losses						
Balance at December 31, 2011	**$ 1,262**	**$ 62,221**	**$ 2,645**	**$ –**	**$ –**	**$ 66,128**
Depreciation	126	6,727	305	–	–	7,158
Impairment adjustment	–	–	–	–	–	–
Disposals	–	(221)	(56)	–	–	(277)
Balance at December 31, 2012	**$ 1,388**	**$ 68,727**	**$ 2,894**	**$ –**	**$ –**	**$ 73,009**
Depreciation	139	7,842	391	–	–	8,372
Impairment adjustment	–	77	–	–	–	77
Disposals	(137)	–	(137)	–	–	(274)
Balance at December 31, 2013	**$ 1,390**	**$ 76,646**	**$ 3,148**	**$ –**	**$ –**	**$ 81,184**
Carrying amounts						
Balance at December 31, 2012	$ 1,134	$ 141,406	$ 1,469	$ 11,826	$ 1,734	$ 157,569
Balance at December 31, 2013	$ 1,322	$ 137,638	$ 1,647	$ 42,747	$ 1,734	$ 185,088

At December 31, 2013, the Corporation had property, plant and equipment that was fully depreciated and still in use with a cost of $14,285 (December 31, 2012 – $14,134).

For the year, capitalized borrowing costs related to the acquisition of land and construction of new assets amounted to $35 (December 31, 2012 – $54), with a capitalization rate of 0.1% (2012 – 0.3%).

10. Trade and other payables

	December 31, 2013	December 31, 2012
	(Thousands)	
Trade payables	$ 4,203	$ 1,556
Interest payable	369	385
Other payables	9,244	5,990
	$ 13,816	$ 7,931

The Corporation's exposure to liquidity risk related to trade and other payables is disclosed in Note 20.

11. Notes payable

	December 31, 2013	December 31, 2012
	(Thousands)	
Amount outstanding	$ 25,241	$ 16,161
Interest Rate	1.01%	1.10%
Due Date	31-Mar-14	28-Mar-13

By Orders-in-Council, SaskWater is authorized to borrow up to $30 million (2012 – $30 million) by way of temporary loans from the Province of Saskatchewan's General Revenue Fund (GRF).

The Corporation's exposure to interest rate and liquidity risk related to notes payable is disclosed in Note 20.

12. Deferred revenue and infrastructure deposits

	December 31, 2013	December 31, 2012
	(Thousands)	
Deferred revenue		
Balance, beginning of year	$ 67,847	$ 49,578
Deferred revenue additions	6,594	2,457
Transferred from infrastructure deposits	24,513	17,961
Amortization of deferred revenue	(3,467)	(2,149)
	95,487	67,847
Less: Current Portion of Deferred Revenue	(3,139)	(3,432)
Non-current balance, end of year	$ 92,348	$ 64,415

	December 31, 2013	December 31, 2012
	(Thousands)	
Infrastructure deposits		
Balance, beginning of year	$ 5,966	$ 19,131
Customer contributions received/receivable	21,470	6,024
Transferred to deferred revenue	(24,513)	(17,961)
Recognized as project management revenue	(36)	(1,228)
Balance, end of year	$ 2,887	$ 5,966

13. Provisions

	December 31, 2013	December 31, 2012
	(Thousands)	
Balance, beginning of year	$ 2,154	$ 2,182
Settlements during the year	(272)	(253)
Provisions increased (reversed) during the year	(370)	78
Unwinding of the discount on provisions	144	147
	$ 1,656	$ 2,154
Less: Current Portion of Deferred Revenue	(124)	(128)
Non-current balance, end of year	$ 1,532	$ 2,026

The Corporation has onerous contracts related to two potable systems. The systems have significant contracts in effect until December 31, 2022 and December 31, 2026 respectively. The changes to the provision were related to system performance that was different than anticipated during 2013 and 2012.

14. Long-term debt

Date of Maturity	Coupon Rate (per cent)	December 31, 2013 Effective Rate (per cent)	December 31, 2013 Outstanding Amount (Thousands)	December 31, 2012 Effective Rate (per cent)	December 31, 2012 Outstanding Amount (Thousands)
1-Dec-13	3.80	–	$ –	3.80	$ 5,000
12-Dec-15	4.30	4.30	2,407	4.30	2,407
10-Jan-16	4.21	4.21	2,400	4.21	2,400
11-May-17	4.46	4.46	2,600	4.46	2,600
3-Mar-18	4.45	4.45	5,000	4.45	5,000
1-Sep-19	4.16	4.16	4,500	4.16	4,500
1-Mar-20	4.14	4.14	5,093	4.14	5,093
1-Dec-21	2.96	2.96	3,900	2.96	3,900
1-Mar-24	5.32	5.32	2,100	5.32	2,100
10-Apr-25	5.05	5.05	1,700	5.05	1,700
3-Dec-30	4.32	4.32	9,000	4.32	9,000
			38,700		43,700
Less: Current portion of long-term debt			–		(5,000)
			$ 38,700		$ 38,700

These loans are payable to the Province of Saskatchewan's GRF with interest payable semi-annually. The Corporation's exposure to interest rate and liquidity risk related to long-term debt is disclosed in Note 20.

Long-term debt repayments in each of the next five years are as follows:

	(Thousands)
2014	$ –
2015	2,407
2016	2,400
2017	2,600
2018	5,000
Thereafter	26,293
	$ 38,700

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually, into debt retirement funds administered by the Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding (Note 8).

15. Employee benefits

a) Defined benefit retiring allowance plan

The amounts related to the defined benefit retiring allowance plan for executive, management employees and members of the UNIFOR Union are as follows:

	December 31, 2013	December 31, 2012
	(Thousands)	
Balance, beginning of period	$ 418	$ 388
Expenses	26	9
Actuarial (gains) losses	(18)	21
Balance, end of period	$ 426	$ 418

The significant actuarial assumptions adopted in measuring the Corporation's annual accrued benefit liability are:

Discount rate	4.25%	3.50%
Inflation rate	2.50%	2.50%
Average remaining service life	12.6 years	13.4 years

The discount rate has been determined using the most recent information available on corporate bond market yields whose duration approximates the duration of the liabilities.

b) Defined contribution pension plan (Thousands)

The Corporation's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is sponsored by CIC. The Corporation's contributions to the Plan include making regular payments into the Plan equal to 160% of the required amounts contributed by employees for current service. The total amount paid to the Plan to December 31, 2013 was $676 (December 31, 2012 – $619).

16. Equity advance and capital disclosure

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

The Corporation's debt management plan is built on the goal of ensuring the capacity to meet long term obligations and ensuring financial health, while achieving the growth plans of the Corporation.

As a Crown corporation, SaskWater receives its long-term capital funding primarily from the Saskatchewan Ministry of Finance. SaskWater also has access to a $30 million line of credit.

The Corporation's capital consists of notes payable, long-term debt and equity, less debt retirement funds.

The Corporation monitors capital on the basis of the debt ratio. The current long-term debt ratio target is 60%, which is consistent with the prior period. The debt ratio is calculated as net debt divided by end of period capitalization as follows:

	December 31, 2013	December 31, 2012
	(Thousands)	
Gross long-term debt	$ 38,700	$ 43,700
Notes payable	25,241	16,161
Debt retirement funds	(12,504)	(10,450)
Net debt	51,437	49,411
Total equity	45,734	42,216
Capitalization	$ 97,171	$ 91,627
Debt ratio	52.9%	53.9%

The Corporation has complied with all externally imposed restrictions on its debt for the year ended December 31, 2013.

17. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	December 31, 2013	December 31, 2012
	(Thousands)	
Less than one year	$ 667	$ 431
Between one and five years	1,420	1,142
More than five years	-	-
	$ 2,087	$ 1,573

The Corporation leases a number of vehicles, office equipment and three office facilities under operating leases. During the year, an amount of $548 (2012 – $372) was recognized as an expense in net income with respect to operating leases.

18. Commitments and contingencies

a) Contractual commitments (Thousands)

As of December 31, 2013, the Corporation has outstanding commitments of $92,712 (December 31, 2012 – $72,744) for construction contracts and consulting agreements primarily relating to assets under construction and other service contracts.

b) Litigation

The Corporation has provided, in its accounts, for any known claims from lawsuits or other legal proceedings for which there is material risk of liability to the Corporation in accordance with management's best estimates and the advice received from legal counsel. The Corporation intends to account for any differences which may arise between amounts provided and amounts expended in the period in which the claims are resolved.

19. Related party transactions

a) Related parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). The Corporation has elected to take partial exemption under IAS 24 *Related Party Disclosures* which allows government related entities to limit the extent of disclosures about related party transactions with government and other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

b) Compensation of key management personnel

Key management personnel include the President and Vice President positions. The compensation related to key management for employee services is shown below:

	December 31, 2013	December 31, 2012
	(Thousands)	
Salaries, wages and short-term employee benefits	$ 607	$ 609
Post-employment benefits	41	67
	$ 648	$ 676

20. Financial instruments and risk management

a) Fair values

Fair values are the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		December 31, 2013 Asset (Liability)		December 31, 2012 Asset (Liability)	
	Classification[1]	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(Thousands)			
Financial assets					
Cash	FVTPL	$ 4,232	$ 4,232	$ 8,251	$ 8,251
Trade and other receivables	L&R	21,268	21,268	9,660	9,660
Debt retirement funds	FVTPL	12,504	12,504	10,450	10,450
Financial liabilities					
Trade and other payables	OL	13,816	13,816	7,931	7,931
Notes payable	OL	25,241	25,241	16,161	16,161
Infrastructure deposits	OL	2,887	2,887	5,966	5,966
Long-term debt	OL	38,700	41,404	43,700	48,740

[1]Classification details are as follows:

FVTPL – Fair value through profit and loss

L&R – Loans and Receivables

OL – Other Liabilities

The estimated fair values of these financial instruments have been determined based on the following methods and assumptions, and may not represent the amounts that could be realized upon settlement.

20. Financial instruments and risk management – continued

b) Determination of fair values

When the carrying amount of a financial instrument is the most reasonable approximation of fair value, reference to market quotations and estimation techniques is not required. The carrying values of cash, trade and other receivables, trade and other payables and notes payable approximate their fair values due to the short-term maturity of these financial instruments.

For financial instruments listed below, fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. Accordingly, the determination of fair value requires judgment and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – Where quoted prices are readily available from an active market.

Level 2 – Valuation model not using quoted prices, but still using predominantly observable market inputs, such as market interest rates.

	December 31, 2013		December 31, 2012	
	Level 1	Level 2	Level 1	Level 2
		(Thousands)		
Debt retirement funds	$ –	$ 12,504	$ –	$ 10,450
Long-term debt	$ –	$ 41,404	$ –	$ 48,740

All long-term debt obligations are estimated using discounted cash flow analysis based on current market yields for similar arrangements (Level 2). Debt retirement funds are valued at closing period-end unit prices received from the Saskatchewan Ministry of Finance (Level 2).

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price. Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Saskatchewan Ministry of Finance. The Corporation has classified these investments as fair value through profit or loss and therefore recognized the change in the market value in net earnings for the period. The impact of fluctuations in market prices related to these investments will not be significant, therefore management has not provided a sensitivity analysis of the impact.

The Corporation is exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. Interest rate risk on these expected future borrowings are managed, based on the refinancing needs of the Corporation, using derivative financial instruments when deemed appropriate. The Corporation had no derivative financial instruments in place to offset interest rate risk as of December 31, 2013 and December 31, 2012. The change in rate would have no impact on net income due to classification of long-term debt as other liabilities.

20. Financial instruments and risk management – continued

d) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due. SaskWater manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities:

	December 31, 2013				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
	(Thousands)				
Trade and other payables	$ 13,816	$ –	$ –	$ –	$ –
Notes payable	25,304	–	–	–	–
Long-term debt	821	822	4,050	14,080	32,981
	$ 39,941	$ 822	$ 4,050	$ 14,080	$ 32,981

	December 31, 2012				
	6 months or less	7 – 12 months	Subsequent 1 Year	Subsequent 3 – 5 years	More than 5 years
	(Thousands)				
Trade and other payables	$ 7,931	$ –	$ –	$ –	$ –
Notes payable	16,203	–	–	–	–
Long-term debt	916	5,917	1,643	11,919	39,192
	$ 25,050	$ 5,917	$ 1,643	$ 11,919	$ 39,192

Future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

20. Financial instruments and risk management – continued

e) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation is not exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at the following dates, is limited to the fair value of the financial assets recognized as follows:

	December 31, 2013	December 31, 2012
	(Thousands)	
Cash	$ 4,232	$ 8,251
Trade receivables		
Current	15,087	7,257
31 – 60 days	32	46
61 – 90 days	136	17
Over 90 days	1,251	512
Subtotal	16,506	7,832
Allowance	(80)	(86)
	16,426	7,746
Accrued and other receivables	4,842	1,914
Debt retirement funds	12,504	10,450
	$ 38,004	$ 28,361

Provisions for credit losses are maintained and regularly reviewed by the Corporation based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances. At December 31, 2013, the Corporation had a balance of $80 (December 31, 2012 – $86 recorded in the allowance for doubtful accounts).

Debt retirement funds are on deposit with, and being administered by, the Saskatchewan Ministry of Finance. At December 31, 2013, the Ministry has invested these funds primarily in provincial government and federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at December 31, 2013, is considered low.

Corporate Governance

Corporate governance is generally accepted as the set of processes, customs, policies, laws and institutions that affect how a corporation is directed, administered or controlled. Corporate governance includes the relationships among the stakeholders and the goals for which the corporation is governed. Effective corporate governance results in a well-run, high-performing and transparent organization, accountable to the public it serves. The shareholder, board of directors and management are instrumental in achieving effective corporate governance.

A Vision for All Crown Corporations

SaskWater shares in the vision that the provincial government has defined for the Crown sector. This vision is for "a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all."

Crown Corporation Structure

SaskWater is a statutory Crown corporation governed by *The Saskatchewan Water Corporation Act, 2002*, and is subject to the provisions of *The Crown Corporation Act, 1993*.

Crown Investments Corporation of Saskatchewan (CIC) is the Province of Saskatchewan's holding company for its commercial Crown corporations, including SaskWater.

Roles and Responsibilities

The Government of Saskatchewan represents the public's interests and sets the vision for the Crown sector. Government approves and rescinds Crown Board appointments.

The CIC Board sets strategic direction for the Crown sector, sets public policy expectations, approves performance standards, allocates capital, and monitors and evaluates the Crown's performance throughout the year.

The Minister Responsible keeps informed of Crown activities and functions as the communication channel between the Crown and its stakeholders, including government, the legislature and the public.

CIC develops policy on Crown corporations and communicates and monitors strategic shareholder direction and policy to the corporation.

SaskWater's Board oversees the overall direction of the business activities of the corporation to achieve the performance targets and is responsible for the approval and implementation of the corporation's strategic plan and performance plan.

Direction to the Crown Sector

The CIC Board provides direction to SaskWater which is reflected in our strategic, business and operational plans. Priorities include:

- Customer focus to provide the best possible service that is high quality, accessible and affordable
- Infrastructure for economic development in Saskatchewan
- Development of an effective workforce while striving to contain growth in the workforce
- Financial and fiscal sustainability

CIC also provides direction to SaskWater for such things as programs, reporting processes and procedures, policies and administrative or legislative matters.

Source: Crown Sector Strategic Plan

Board of Directors

The SaskWater Board consists of eight (8) independent directors. All are appointed for a set term by the Lieutenant Governor in Council, who also designates the Chair and Vice Chair.

Responsibilities and Duties

The Board is responsible for SaskWater's stewardship while fostering success consistent with SaskWater's mandate. The Board works with management to oversee corporate operations, including:

- setting corporate direction
- guiding strategic planning processes
- executing performance evaluations
- annual and quarterly monitoring and reporting functions
- assisting in business plan development and approval
- monitoring processes and systems used to achieve sustainable operations

The SaskWater Board of Directors met eight (8) times in 2013.

Committees

In 2013, the Board had two (2) standing committees to undertake detailed reviews and provide in-depth supervision in key areas of responsibility. The Committees of the Board were:

- Audit and Finance
- Governance and Corporate Responsibility

Audit and Finance Committee – held six (6) meetings in 2013

Members: Ken Hookway (Chair), Glen Rittinger, Larry Burechailo, Jordan Bergermann

The Audit and Finance Committee helps the Board fulfill its financial accountability by:

- overseeing the corporation's budget, financial operations and results
- reviewing internal controls established by management and the Board
- participating in internal and external audit processes
- monitoring the adequacy and condition of capital assets
- reviewing and making recommendations on capital activities
- ensuring appropriate systems are in place to identify and manage risk

Governance and Corporate Responsibility Committee – held five (5) meetings in 2013

Members: Gary Vidal (Chair), Lionel LaBelle, Brenda Merasty, Garry Moroz

The Governance Committee reviews, develops and maintains SaskWater's governance practices and oversees the Board's nominating and governance activities, including:

- evaluating the performance of Board committees, Board Chair, individual directors and the President/CEO
- recommending Board and Committee structure, composition and mandate
- ensuring Board orientation and opportunities for professional development
- articulating the roles and responsibilities of the Board
- overseeing compensation policies and collective bargaining mandate

Terms of Reference outlining the specific scope, duties and responsibilities of the SaskWater Board of Directors and Committees are available upon request by contacting the Corporate Secretary to the Board.

Governance Practices

In substantial alignment with current industry best practices, SaskWater's approach to corporate governance is consistent with the Canadian Securities Administrators' (CSA) Corporate Governance Guidelines and Disclosure Practices. These guidelines address areas of responsibility for effective corporate governance, including responsibility for stewardship of the corporation, the Board's role, and ensuring proper function of the Board, while maintaining its fiduciary obligation to the corporation.

SaskWater's corporate governance practices are benchmarked against CSA's Corporate Governance Guidelines. SaskWater's Corporate Governance Policies and Practices can be found at www.saskwater.com.

Board of Directors

Chair, Glen D. Rittinger FCA, CFP.Ch Dir
Swift Current
Glen Rittinger has been a senior advisor to Stark & Marsh, Chartered Accountants since 2012 after being a partner with the firm from 1978 to 2011. He is a past instructor at the University of Regina and Athabasca College. Mr. Rittinger is a past council member for the Institute of Chartered Accountants of Saskatchewan and a past member of the institute's Liability Insurance Committee, and the Saskatchewan representative to the Interprovincial Task Force on Multidisciplinary Activities. He is a current member of the professional conduct committee. He holds a Bachelor's of Commerce from the University of Saskatchewan and received his C.A. in 1976, F.C.A. in 1992, and C.F.P. in 1999. Mr. Rittinger became a Chartered Director in 2012. He is past president of the Swift Current Kiwanis and the Swift Current Minor Hockey Association.

Vice Chair, Lionel LaBelle
Saskatoon
Lionel LaBelle is President and CEO of the Saskatchewan Trade and Export Partnership. Previously, he worked as manager, partner, president and chairman of the board for several public and private corporations focused on agri-business, construction and the manufacturing industry. In 2001, he took on an advocacy role in the development of the biofuels industry in Saskatchewan and across Canada. Mr. LaBelle is currently a board member of the Global Transportation Hub Authority as well as being recently appointed to Premier Wall's Asia Advisory Council.

Jordan C. Bergermann
Muenster
Jordan Bergermann began serving in public office in 1974, joining the local School Board while his daughter and three sons attended school. He served fourteen years on the local School Board, the last nine as chairman. Upon the graduation of two of his children, he was elected to the Humboldt Rural School Division Board where he served for nine years, the last six as chairman.

Mr. Bergermann was encouraged to run as Councillor for Division 1 in the R.M. of Humboldt #370 shortly before retiring from farming in the spring of 2005. After serving two years as councillor, he was elected as Reeve – in which capacity he serves at the present time. Since becoming involved in municipal politics, he represents the R.M. of Humboldt #370 on the Lanigan/Dellwood Watershed Association Board.

He has served on various community boards, is past Grand Knight and a fourth degree member of the Knights of Columbus. He completed a two year appointment to the Governance Committee of the SaskWater Board of Directors on Feb. 11, 2012. He is presently on the Audit & Finance Committee.

Left to right: Ken Hookway, Gary Vidal, Garry Moroz, Jordan Bergermann, Glen Rittinger, Lionel LaBelle, Brenda Merasty, Larry Burechallo.

Larry Burechailo
Rosetown
Larry Burechailo is a past councillor and deputy mayor of Coteau Beach Resort Village. He recently retired from SaskPower Customer Services where he served on the Safety Network Committee for several years. He has also retired from farming in the Rosetown area after 37 years and is preparing for a farm auction in 2014. Mr. Burechailo was previously engaged in the automotive wholesale industry in sales as a working partner. He served in the North Saskatchewan Regiment Army Reserves, participating as part of the Precision Drill Team, and in 2013, he received his forty year service pin from the Royal Canadian Legion. He went through the chairs at the branch level before going on to serve seven years elected to Provincial Command. Mr. Burechailo is past president of the Saskatoon, Rosetown, Biggar Conservative Constituency Association, having the honour of serving with the Honourable Carol Skelton, Member of Parliament.

Ken Hookway
Melfort
Ken Hookway is an Agricultural Account Manager with Affinity Credit Union in Melfort. He has been employed in the banking industry for the past 37 years, 30 years in western Canada, and has served the Saskatchewan farming community since 1988. Mr. Hookway is a past member, director and treasurer on many boards and committees, such as the local Kinsmen Club, Melfort United Church, Melfort Mustangs Junior Hockey Club, Melfort & District Chamber of Commerce, the University of Saskatchewan Regional Advisory Committee and STARS Melfort Fund Raising Committee. Since 2001, he has worked as a private bookkeeper in the farming and commercial business sectors.

Brenda Merasty
Saskatoon
Brenda Merasty is a consultant with JETA Holdings Limited. She is also a board member of the Oskayak High School in Saskatoon. Previously, Brenda has worked at the Federation of Saskatchewan Indian Nations (FSIN), the Assembly of First Nations (AFN) as a Senior Policy Analyst, as a Vice President of Academics and Student Services at the Saskatchewan Indian Institute of Technologies (SIIT) and as an educational consultant and teacher. In her work, she has researched, developed and designed strategies, programs and initiatives to address First Nations' education and community development issues by advancing and promoting child and youth education, mentorship, and community asset mapping and building. Ms. Merasty has a Master's degree in Educational Administration from the University of Saskatchewan.

Garry G. Moroz
Pelly
Garry Moroz operates a registered seed farm with both registered and commercial grain and promotes crop care products for major chemical companies. He previously worked as credit manager and regional sales manager for a major farm equipment manufacturer and was owner of a farm equipment business. He helped to establish a breeder hog barn in the Pelly area and has been involved with the RM of St. Phillips. Mr. Moroz is a graduate of Assiniboine Community College at Brandon - Agricultural Sales and Management.

Gary Vidal, CGA
Meadow Lake
Gary Vidal is a partner in the firm Pliska Vidal & Co. in Meadow Lake where he has served his clients for more than 25 years. He earned his designation as a Certified General Accountant in 1994. He was elected Mayor of the City of Meadow Lake in September 2011 and continues to serve his community in that capacity. Mr. Vidal has invested a significant amount of time in his community through his service on various boards and committees over the years. He also is a committed volunteer in the area of minor sports where you will regularly find him coaching hockey and other sports.

Tanya Thome
Corporate Secretary to the Board of Directors, Crown Investments Corporation

Executive

Doug Matthies, President

Doug Matthies has served as President of SaskWater since July 1, 2010. Prior to joining SaskWater, Doug served in several senior capacities in the provincial government including Deputy Minister of Finance, Deputy Minister of Agriculture and Food, General Manager of the Saskatchewan Crop Insurance Corporation and General Manager of the Saskatchewan Pension Plan.

His experience in government spans several areas including strategic planning, policy analysis and development, financial management, program operations, public accountability, legislative and regulatory processes, and stakeholder consultations and relations. Prior to joining government in 1987, Doug worked in the private sector accounting firm of Clarkson Gordon and later the firm Arscott Hill & Matonovitch.

Doug has served on several boards over the course of his career including organizations in the fields of international trade, agricultural research, transportation, and financial institutions. He has also been a member of various federal-provincial working groups, inter-ministry working groups and community groups.

Doug is a Chartered Accountant with a Bachelor of Administration (Distinction) from the University of Regina.

Jeff Mander, Vice President, Operations and Engineering

In June 2012, Jeff Mander assumed the duties of Vice President, Operations and Engineering. He is responsible for managing the delivery of SaskWater's core business – the operation, maintenance and service delivery for the supply of potable and non-potable water to communities and industries and for the engineering functions to manage new capital projects and support operations. Other lines of business falling under Jeff's direction include certified operation and maintenance of customer-owned waterworks and operator training.

Jeff has more than 35 years of engineering and management experience and has been with SaskWater since its start in 1984. His previous position was as Director of District Operations, a role he was in since March 2005. Other positions he has held with SaskWater include Manager, Project Engineering, Senior Project Manager and Senior Project Engineer.

Jeff has a Bachelor of Science degree in Civil Engineering from the University of Manitoba and is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan.

Marie Alexander, Vice President, Business Development and Corporate Services

In February 2011, Marie Alexander became the Vice President, Business Development and Corporate Services at SaskWater. She is responsible for human resources, finance and accounting, administrative services, occupational health and safety, IT services, policy and planning, corporate communications and business development for the corporation.

Marie has been with SaskWater since August 2006. She worked as the Manager, Human Resources until she became the Acting Vice President, Business Development and Corporate Services in March 2010.

Marie brings 25 years of human resource and senior management experience and has worked in both the private and public sectors. Prior to joining SaskWater, Marie held senior positions at SIAST in Saskatoon, the College of New Caledonia in Prince George, BC, and worked as the Manager of Human Resources for the Niagara Regional Police Service.

Marie is a graduate of the University of Victoria, holds her designation as a Certified Human Resources Professional (CHRP) and is a member of the Saskatchewan Association of Human Resource Professionals.

Corporate Directory

Doug Matthies, President
Monty Gendall, General Counsel

Operations and Engineering

Jeff Mander, Vice President, Operations and Engineering
Eric Light, Director, Engineering
Rynette Moore-Guillaume, Director, Operations
Glen Gillis, Manager, Northern Engineering
Shahid Khan, Manager, Water and Wastewater Engineering

Business Development and Corporate Services

Marie Alexander, Vice President, Business Development and Corporate Services
Randy Avery, Director, Business Development
Danny Bollinger, Manager, Financial Services
Kim Cave, Manager, Administration and Facility Services
Kylee Lundberg, Manager, Occupational Health & Safety
Ingrid Newton, Manager, Policy and Planning
Brenda Stewart, Manager, Human Resources
Gayle Zimmerman, Manager, Corporate Communications

Office Locations

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